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ABSTRACT

The Constitutional division of responsibility between the President and Congress for making foreign policy is the first of eight topics discussed in this magazine-style booklet. Major constitutional powers of Congress in foreign policy include the "power of the purse", and the power "to declare war". Major foreign policy powers of the President are serving as commander in chief of the army and navy, and making treaties with the advice and consent of the Senate. Treaty making was deliberately made cumbersome by the makers of the Constitution so alliances could not be entered into lightly. The second issue, "Defense and the Federal Deficit," is analyzed from the aspect of whether the United States can adequately defend itself with the across-the-board budget cuts under the Gramm-Rudman-Hollings bill. Issue three discusses how the status of relations with Egypt depends on whether the United States and Egypt can agree on policies concerning aid, the peace process in the Middle East, military cooperation, and terrorism. The challenge to the U.S. primacy in the Pacific Basin by the Soviet Union is discussed in issue four. The effect of a lower U.S. business profile and economic sanctions on the government of President P.W. Botha is analyzed in issue five on South Africa. In issue six, the topic of foreign investment in the U.S. is discussed. While U.S. cities welcome this investment, many citizens feel foreign ownership of U.S. businesses, banks, and real estate is out of control. Issues seven and eight deal with the invasion of Afghanistan and revolutions in Iran, Nicaragua, and the Philippines respectively. Numerous black and white photographs, cartoons, and other graphics as well as a fold-out map of the world are included. (SM)

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GREAT DECISIONS 1987

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1. THE CONSTITUTION AND FOREIGN POLICY

2. DEFENSE AND THE FEDERAL DEFICIT

3. EGYPT AND THE U.S.

4. THE PACIFIC BASIN

5. SOUTH AFRICA

6. FOREIGN INVESTMENT IN THE U.S.

7. PAKISTAN AND AFGHANISTAN

8. DEALING WITH REVOLUTION

OPINION BALLOTS

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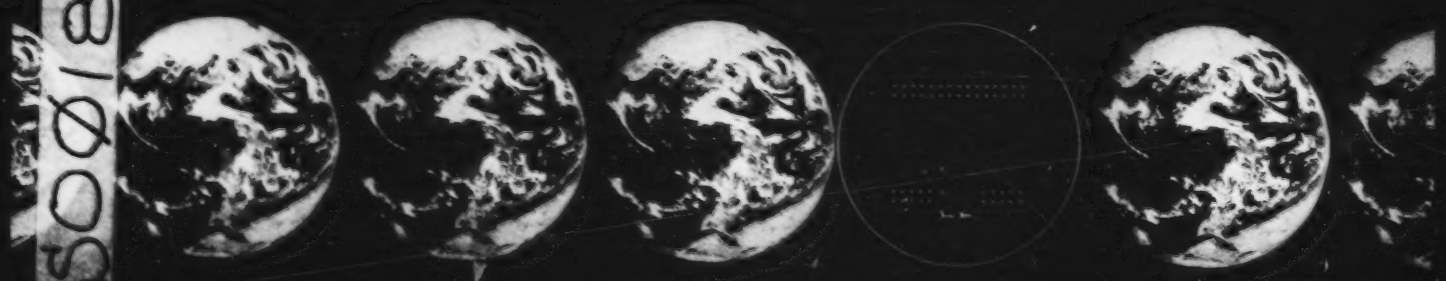

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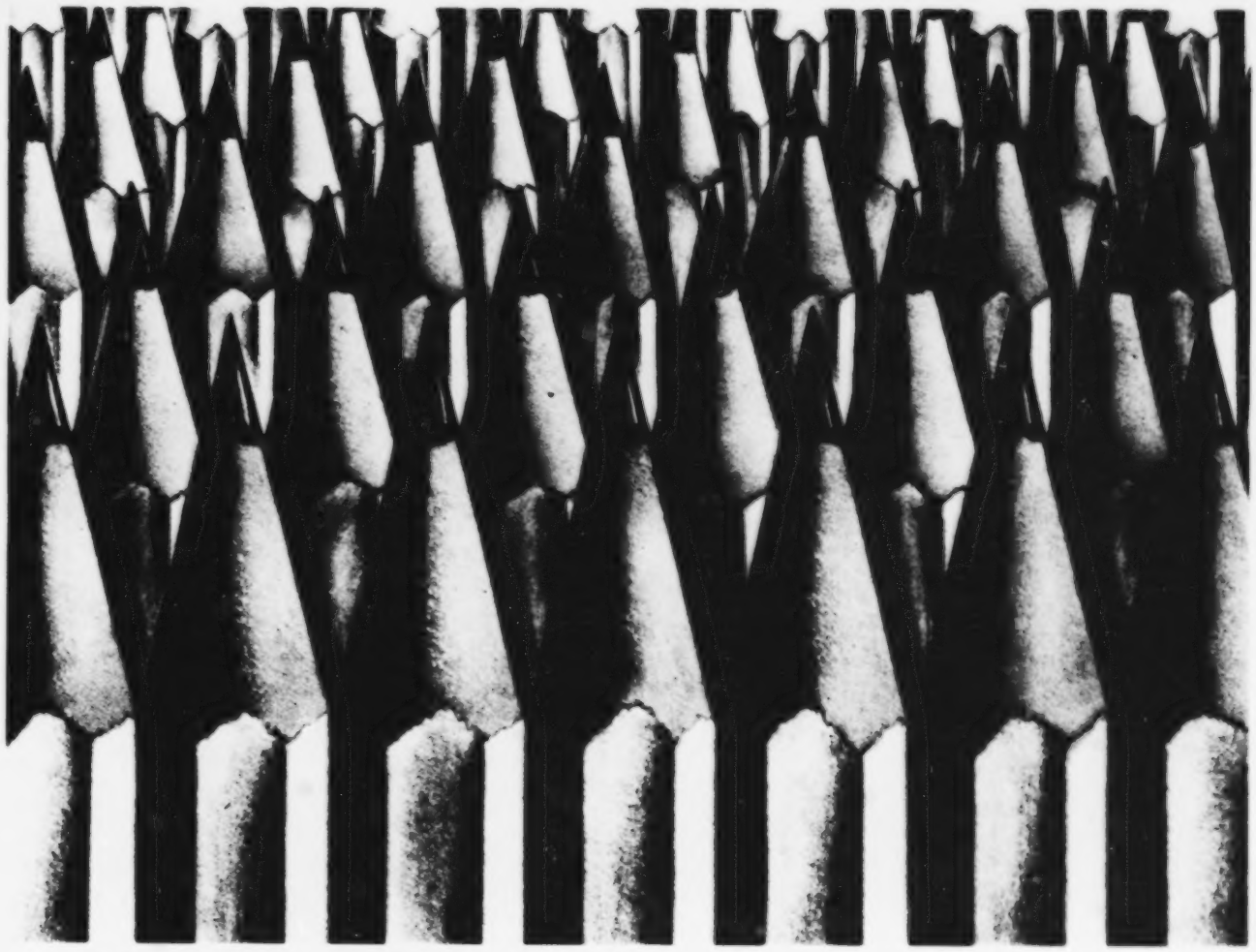

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• THE CHRISTIAN SCIENCE MONITOR is offering readers a series of eight articles on the GREAT DECISIONS '87 topics written by *Monitor* correspondents. Look for the first article on Tuesday, February 3d. The other seven articles will appear on consecutive Tuesdays. Special discount offer: GREAT DECISIONS participants are invited to take a 13-week subscription which will include the eight articles at the special price of $17.00. Subscription orders should be mailed to: *The Christian Science Monitor*, P.O. Box 125, Astor Station, Boston, MA 02123, or call, toll-free, 1-800-225-7090. In Alaska call collect: 617-262-2300.

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Designed to be used with the *Great Decisions '87* book, it provides tips on decisionmaking exercises, role-playing activities and other ideas, and handouts that can be reproduced for classroom use. It reinforces important concepts, promotes critical thinking skills and provides some 24 student activities. There also are questions, summaries and glossaries for each of the eight topics. It can help teachers and discussion leaders plan stimulating group participation around the '87 topics. $7.95 each, prepaid.

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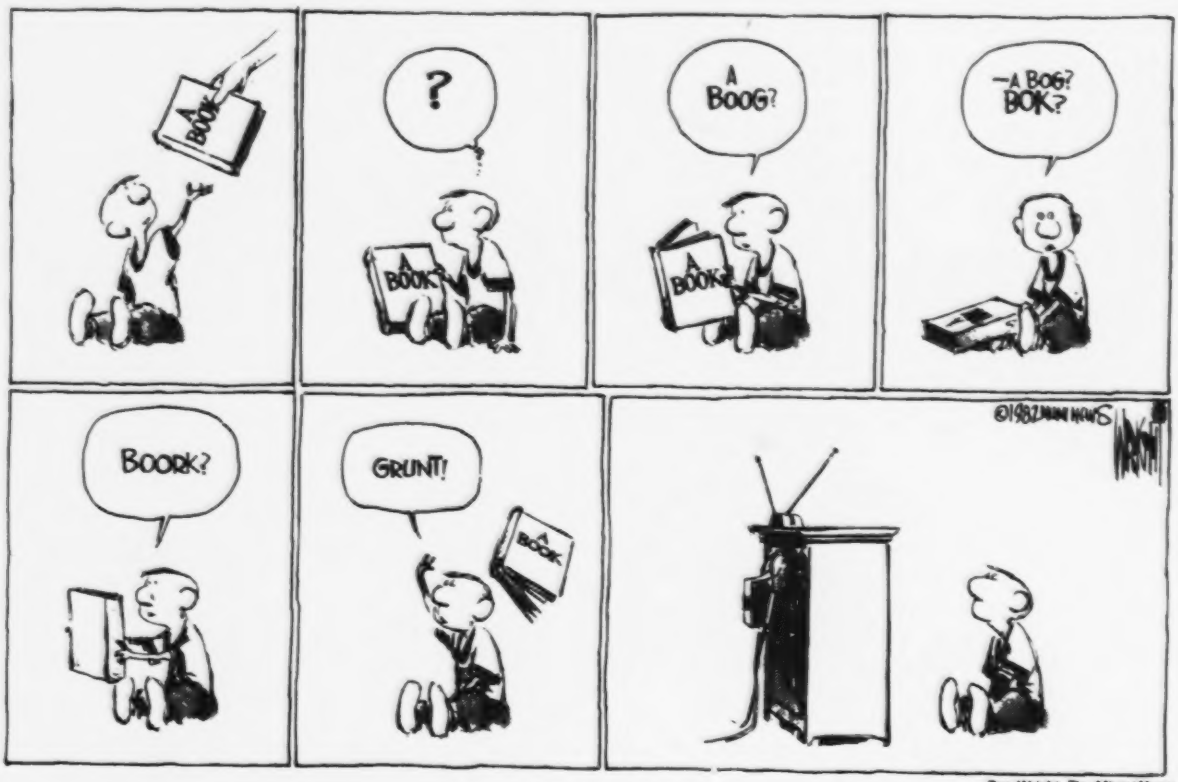
INTRODUCTION



Don Wright, *The Miami News*.

This is not just a book . . . or a boog or a bok. It's not an adventure story—although it is full of adventures. It's not slick or sexy, although there's plenty of high drama between its covers—the drama of world politics and high finance, played by a cast of heroes and villains, patriots and knaves.

GREAT DECISIONS isn't for everyone. It's for readers—and TV viewers, too—who are looking for well researched, tightly written, balanced and objective articles on U.S. foreign policy. What they get are eight analytical pieces that are up-to-date and informative, based on a distillation of books, periodicals, the daily press and television, travel and interviews. Written by the editors of the nonpartisan, nongovernmental (and not-for-profit) Foreign Policy Association, each article has been reviewed in draft by no fewer than four outside experts representing a range of viewpoints.

There's nothing quite like GREAT DECISIONS. It's an annual tour of some of the globe's major trouble spots, a guide to current events, a key to the U.S. foreign policy concerns that keep the State Department on permanent alert, and a preview of stories that are likely to make next year's headlines. It is a history of world affairs as well as a digest of current events. It not only tells you *what* is happening in Cairo or Kabul or up on Capitol Hill but *why*—and what it means to you and to the country. It informs and interprets but it doesn't take sides. It presents not only the Reagan Administration's view of eight critical foreign policy issues but also what others think U.S. policy should be. It leaves it up to you to decide who is right, wrong . . . or somewhere in between.

The eight 'Great Decisions'

On the occasion of the bicentennial of the Constitution, it is fitting that this year's tour of U.S. foreign policy starts with a look at the Constitution, the basic source of law for U.S. domestic and foreign policy. The issues posed—the division of responsibility between President and Congress for making foreign policy and the role and effect of international law on the conduct of foreign affairs—underlie all facets of the foreign policy debate.

This year, much of that debate will center on "Defense and the Federal Deficit," the subject of Topic 2. Defense is at once a domestic and a foreign policy issue—one that raises difficult questions about peace, security and our relations with the Soviet Union. To maintain the kind of defense necessary for the security of this country and its allies may re-

quire trimming spending on education or public health. But education and health—and a sound economy—are also vital to national security; some think they are as important as missiles and bases. Clearly, this is one issue where the line separating domestic and foreign policy is increasingly blurred.

As we turn to Topic 4, "The Pacific Basin," we appear to be leaving domestic policy issues behind. Not so. Two of the major U.S. interests in the region—trade and security—affect American jobs and pocketbooks. U.S. trade with East Asia today is greater than trade with Western Europe, and U.S. investment in the region is growing more rapidly than in any other part of the world. To quote Secretary of State George P. Shultz, "To understand the future, you must understand the Pacific."

While some U.S. investors are testing the waters in the Pacific Basin, others are taking a hard look at their interests in South Africa and deciding to pull out. What effect, if any, will a lower American business profile and economic sanctions have on the Botha government? Will it convince him to end apartheid? Topic 5 looks at some of the possible answers.

U.S. investors are not all bullish about the U.S. economy, but Japanese, West Germans and others are finding that the climate here is just right—dramatic evidence of the interdependence of the U.S. and its global neighbors. Residents of Spartanburg, South Carolina, welcome foreign investment: it means jobs and economic growth. But other communities feel that foreign ownership of businesses, banks and real estate is out of hand. Topic 6 examines whether their concerns are justified.

No tour of the foreign policy scene is complete without a look at the potentially explosive Middle East. Last year's GREAT DECISIONS focused on Israel; this year the focus is on Egypt, a close U.S. friend and second-largest aid recipient after Israel. Beneath the surface calm in Egypt, there is growing disaffection with the Mubarak government that could cause severe problems for the U.S. For the implications, see Topic 3.

Still farther from home, another situation bears watching: the storm over Southwest Asia, Topic 7. The continued presence of Soviet troops in Afghanistan seven years after the invasion has created the world's single largest refugee problem—close to 5 million—and places a grave economic and military burden on Pakistan. Pakistan has sheltered most of the refugees and has acted as a conduit for arms to the Afghan resistance, but fears of Soviet retaliation could cause it to review its policy. Pakistan's stability is important to the U.S. and anything that threatens it—including the challenge of President Zia's chief rival, Benazir Bhutto, who has called for early elections—is cause for concern.

Bhutto's challenge to Zia and demonstrations against Mubarak are only two of the most recent manifestations of the kind of political turmoil that often leads to revolution. How to deal with revolution is the subject of Topic 8. In Iran in 1979, the U.S. saw its close friend the shah swept away in a popular revolution led by militant Muslim clerics. In Nicaragua that same year, Somoza, the dictator whom the U.S. had supported as an ally against Cuba and the Soviet Union, was overthrown in a revolution led by a broad-based coalition. And in the Philippines last year Corazon Aquino triumphed in an almost bloodless revolution against President Marcos, who had tried to steal the election. As GREAT DECISIONS went to press, it was clear that the last chapter of the Philippine revolution had not yet been written. Topic 8 explores the lessons the U.S. has learned from the three revolutions. The lessons may soon be put to the test.

The company you keep

As a reader of GREAT DECISIONS you have joined a quarter of a million other readers who can be found in every state of the union as well as overseas in Paris and Taipei, Nanjing and Cairo. They are businesspeople and retired diplomats, hawks and doves, officeholders and officeseekers, Republicans and Democrats, joiners and loners, clergy and laity. They are teachers and they are students—in high schools and elderhostels, in community and four-year colleges and universities.

In Atlanta, Georgia, last year 1,100 high-school students attended a Student Town Meeting (sponsored by the Foreign Policy Association) at Emory University to hear former President Jimmy Carter's views on Topic 1 in GREAT DECISIONS '86, "How Foreign Policy Is Made: The Case of Central America." In White Plains, New York, 65 middle-management employees of Texaco Inc. met during lunchtime to hear a speaker's views on Topic 2, " 'Star Wars' and the Geneva Talks," and peppered him with questions. In Naples, Florida, 60 members of the local Council on World Affairs met over dinner to discuss "Religion in World Politics." Back in New York, a panel discussion on "Israel and the U.S." at the 92nd St. Y drew a standing-room-only crowd of 500.

Many GREAT DECISIONS readers are members of discussion groups. A large number are community leaders whose opinions are listened to. To make your opinion heard, not only in your discussion group but by policymakers in Washington, you are invited to fill out the opinion ballots at the back of the book (there are two sets) and mail them in. Your opinions will be tabulated and the results forwarded to Capitol Hill, the White House, the State and Defense departments. You are also invited to take part in a special outreach effort, "Each One, Reach One," designed to involve even more citizens in GREAT DECISIONS.

"By what we do and by what we leave undone, each of us has a genuine effect on history," the historian Arnold J. Toynbee wrote. "Each of us makes a difference, and each of us is responsible for the difference that he makes. We have to take this responsibility to heart. Democracy will not work unless we do."

Nancy J. Hoepli

How to Use the Opinion Ballot

If you are in a discussion group or classroom, your discussion leader or teacher may collect the ballots at the end of each session and mail them to the address below. If you are using GREAT DECISIONS '87 on your own, mail all eight in the special envelope accompanying this book to **GREAT DECISIONS '87 BALLOTS,** Foreign Policy Association, 205 Lexington Avenue, New York, N.Y. 10016. Please mail your ballots before **May 31** so they can be included in the national tabulation.

1 The Constitution and Foreign Policy

The Role of Law in International Relations

The public's opposition to the President's conduct of the war gave Congress the upper hand in the 1970s in the struggle over policy.

AMERICAN FOREIGN POLICY from George Washington to Ronald Reagan has been influenced by, altered by, and usually made in compliance with, law. This is the legacy of those who wrote the Constitution. It was their belief that the success of their republican experiment required laws that would prevent tyranny and that the survival of the new nation depended on respect for treaties and other obligations of international law.

On September 17, 1987, Americans will celebrate the bicentennial of the Constitution. On that day, 200 years ago, the Constitutional Convention approved the document that is the basic source of law for U.S. domestic and foreign policy. The influence of the Constitution has been so profound that political scientist Samuel P. Huntington has described it, along with the Declaration of Independence, as the "holy scripture of the American civil religion." GREAT DECISIONS participants will grapple with a number of constitutional issues this year, among them:

- Can the Congress compel the President to take actions (in South Africa or elsewhere) that he would rather not take?
- Who is responsible for the "common defense" of the nation?
- Do executive agreements have the force of law?
- Can the President authorize the use of force without Congress' approval?
- Must the U.S. abide by its treaty obligations under the United Nations Charter?
- Is the Reagan Doctrine of aid to anti-Communist insurgencies compatible with constitutional law?

The 18th-century document to which Americans turn for answers was described by British Prime Minister William Gladstone as "the most wonderful work ever struck off at a given time by the brain and purpose of man." It was the first written constitution of the modern age and it has served as an inspiration for most of the 160 constitutions now in existence. None has matched its durability: other countries have had an average of two constitutions since 1945. How well has the U.S. Constitution aged?

The U.S. is a republic, a government based on the consent of the governed. The Constitution is the pact that sealed that agreement. The nation that it established was a bold experiment; it might easily have failed. To ensure that it did not, and that tyranny did not prevail, the Constitution contains a number of safeguards.

The Constitution divides powers among the three branches of government: legislative, executive and judiciary. In addition to separating the powers, the Constitution gives each branch some check on the other. The President can veto Congress' legislation; Congress can override the President's veto. The Senate can refuse consent to the President's treaties. And the courts can declare a law of Congress or an act of the President unconstitutional. The safeguards have prevented tyranny, but at times at the cost of speed and efficiency. For example, for four years Reagan and the Congress battled over aid to the Nicaraguan rebels.

The Constitution deals not only with

who makes foreign policy, but also with how the U.S. should deal with other nations. It gives treaties the force of law, meaning that such agreements take precedence over state or prior Federal law. And it allows Congress to define violations of the law of nations. "The Constitution contemplates obedience to international law," says professor Louis Henkin of Columbia University Law School, "although it does not compel compliance." What effect has international law had on U.S. foreign policy?

The unwritten principle inferred from the Constitution is that laws can govern relations between people, and therefore international relations. Yet, the international environment of late has been plagued by issues, such as terrorism, that seem to many to put those who obey the law at a disadvantage in dealing with those who do not. Should new laws be enacted? What is the meaning and role of law in foreign policy today?

An 18th-century document

THE CONSTITUTION was written for a weak 18th-century power. It established a framework of government that was designed to help the U.S. survive as a republic in the international order of its day. Not surprisingly, the Constitution's foreign policy process encourages neutrality and discourages foreign meddling in the U.S.

The international environment the framers of the Constitution faced was unfriendly. War was neither unusual nor, according to the law of the time, illegal. Wars and conflicts were frequent as the European states sought to balance each other's power.

The framers did not want to be involved in the extensive system of European alliances and treaties which they believed was the cause of the wars on that Continent. (Their dislike of such politics did not prevent American diplomats from using an alliance to win their own revolutionary war. The 1778 U.S. treaty of alliance with France enabled this country to marshal its forces against Britain and win the war.)

Victory gave the U.S. breathing room, but could not guarantee continued independence. Although the U.S. was separated from Europe by an ocean, powerful colonial agents were on all borders: Spanish to the south and southwest and British to the north. It was unlikely that these neighbors would leave it alone.

Its great natural wealth made the U.S. a tempting target for European meddling. The Europeans might also be tempted to forestall the U.S. rise as a great trading nation. Cautioned Alexander Hamilton: The U.S. will have to protect itself from European policies that will result in "clipping the wings, by which we might soar to a dangerous greatness." The framers also wanted to ensure that the European powers did not interfere with their republican experiment.

The ideas behind the establishment of a republic, such as the rejection of the divine right of kings or hereditary rule,

George Washington at the Constitutional Convention

were revolutionary in an age when most countries were monarchies. The few republics then in existence, the Swiss cantons, the Italian city-states and the Dutch Republic, provided cautions rather than examples for the framers. They were often at war with each other and with larger European powers. The framers examined the republics then extant and discovered several mistakes they wished to avoid.

A new republic

In a republic, they noted, temporary and poorer governors tended to be more susceptible to corruption and foreign intrigues that might set state against state, or, in this case, involve the U.S. in a war. By contrast, Hamilton pointed out, "an hereditary monarch, though often the oppressor of his people, has personally too much at stake in the government to be in any material danger of being corrupted by foreign powers." The danger of foreign corruption was of such concern to some that they proposed Washington as king, but fears of a powerful and hereditary monarch prevailed.

There was also concern that the executive of a republic might be tempted to go to war, since war could increase his powers, prestige and probably wealth. One result is that checks and balances were built into the foreign policy process to prevent the U.S. from being pulled into foreign intrigues or wars by the enthusiasm of one executive. On the other hand, the fact that Congress was not given full control of the government may be attributed, among other reasons, to the lessons of 1776.

Lessons of 1776

The framers did not meet until 11 years after the Declaration of Independence. For most of that time the country was headed by the Continental Congress, according to the guidelines of the Articles of Confederation. The articles established a Congress. There were no

checks or balances. There was no executive. According to Article II, "each state retains its sovereignty, freedom, and independence. . . ."

By 1787 the country was in a state of what Hamilton called "impending anarchy." Foreign policymaking by committee was time-consuming and inefficient. Foreign governments found it difficult to deal with U.S. diplomats since they could not speak for the government with any degree of reliability. And it seemed as though states could not even control what was happening within their boundaries, much less outside. In the winter of 1786-87, several thousand people who had taken part in a taxpayers' revolt against the state of Massachusetts, known as Shays' Rebellion, began to form military groups. There was concern that the rebels planned to march on Boston, and this precipitated the call for the Constitutional Convention.

President Theodore Roosevelt's broad definition of his executive powers led one critic to describe him as "that damned cowboy." Following a clash with the Senate over a treaty with Santo Domingo, Roosevelt grumbled that the Senate is "a helpless body when efficient work for good is to be done."

The convention

The convention that was held during the summer of 1787 was authorized by the Continental Congress for the purpose of revising and improving the Articles of Confederation. The revised articles would then be submitted to the Congress for a vote. The 55 representatives at the convention included some of the most distinguished and educated men of their time, among them Benjamin Franklin, Hamilton, James Madison and Washington. Thirty-four were lawyers. They realized almost immediately that an entirely new government was necessary. After four months the Constitution was ready.

The Constitutional Convention was not democratic in today's sense of the word. Only propertied white men participated. Many were slaveholders. The "We the People" with which the preamble to the Constitution begins did not refer at that time to all the people, though the framers did make the Constitution flexible enough that some day it would. Nonetheless, the government created was representative for its time.

The Constitution

The first powers listed by the Constitution are those of Congress. (This has led some readers to conclude that the framers intended Congress to be the most powerful branch; others, that the framers merely listed first those powers most easily enumerated.) Specific foreign policy powers are granted in Article I, Section 8, which gives Congress the power to tax so as to "provide for the common defense," "to regulate commerce," "to define and punish piracies and felonies . . . and offenses against the law of nations," "to declare war," "to raise and support armies . . ." and "to provide and maintain a navy."

The foreign policy powers of Congress also come from its "power of the purse," those sections of the Constitution that deal with its control over taxes and appropriations. These include Article I, Section 7 ("All bills for raising revenue shall originate in the House of Representatives") and Section 9 ("No money shall be drawn from the Treasury, but in consequence of appropriations made by law"). For example, Congress may refuse to enact a foreign aid bill which the President supports, or it may refuse to include aid for a particular country in the bill. The President is likely to accept the Congress' wishes, rather than veto the entire foreign aid legislation.

Executive powers

A major difference between the Constitution and the Articles of Confederation is the existence of the office of President. Although the Constitution lists few executive powers, the courts have interpreted those powers broadly, essentially turning the President into the eyes and ears, as well as voice, of the country.

The President's specific foreign policy powers, as set forth in Article II, Section 2, include: serving as Commander in Chief of the army and navy; nominating and, by and with the advice and consent of the Senate, appointing ambassadors and other public ministers; and making treaties, by and with the advice and consent of the Senate, provided two thirds of the senators concur.

On the most important foreign policy issues—treatymaking and war-making—the concerns of the framers came through most clearly. Treatymaking was made cumbersome so that alliances could not be entered into lightly. Said Thomas Jefferson of treaties: ". . .our system is to have none with any nation, as far as can be avoided." Behind this prescription was a fear of "entangling foreign alliances" that might lead to war. It was also hoped that by involving two branches of government in treatymaking, there would be less chance for corruption.

In leaving the power to declare war to Congress, the Constitution makes it difficult for the executive to embroil the U.S. in a war. Explained historian Henry Adams: "The dread of war . . . sprang not so much from the supposed waste of life or resources as from the . . . effects which war must exert on the form of government."

It has been a matter of some debate as to whether the Constitution intended all acts of conflict, war or otherwise, to be declared by Congress. Those who thought that it did point out that the Continental Congress had controlled the revolutionary war; that the President was made Commander in Chief of the armed forces, not of the country; and that the original language of the framers of the Constitution authorized the Congress to make war, and changed it only to permit the President to defend the country if it were attacked. Those who disagree say that the use of force other than war was common at the time the Constitution was written and that the framers had no intention of denying the President the power to use it. When there have been differences of interpre-

President Reagan confers with Secretary of State Shultz. The President's popularity has made him the most effective of the recent Presidents in his dealings with Congress.

tation of the Constitution, how have they been resolved?

A living Constitution

There have been only 26 amendments to the Constitution. None has dealt with foreign policy issues. Concern over domestic policy in the late 1970s did prompt talk of a constitutional convention, but such talk has died down. Such a convention would probably not have dealt with foreign policy in any case. Yet, as the nonpartisan Committee on the Constitutional System points out, the Constitution must not be treated "as immutable, like the Ark of the Covenant." Jefferson (who, having been dispatched to France at the time of the convention, was not one of the framers) wrote, ". . .laws and institutions must go hand in hand with progress of the human mind. As that becomes more developed . . . institutions must advance also and keep pace with the times."

There has been no structural change in the foreign policymaking powers designated in the Constitution. This may be because this "strange, laconic document" has left a lot of room for political maneuvering between the branches. It has resulted in a struggle for power that is as old as the Constitution.

Since Washington, Presidents, with few exceptions, have eagerly sought to expand their powers. They have often succeeded. One reason is that the executive has the advantage of being, in the words of Chief Justice John Marshall, "sole organ of the nation in its external relations." He is the voice of the U.S. This enables him, through his pronouncements, to declare a foreign policy for the U.S., as in the Monroe Doctrine of 1823 (which barred European intervention in Latin America) and the Nixon Doctrine of 1969 (which implied that Asian rather than U.S. troops would have to fight future land wars in Southeast Asia and Japan). The President can also decide to negotiate a treaty or receive an ambassador.

The President can almost always speed past Congress in a race over making foreign policy, and this too has often increased his powers. Presidents have been able to take and complete action before Congress has had time to deliberate. One example is President John F. Kennedy's handling of the Cuban missile crisis in October 1962. With the discovery that the Soviet Union was emplacing some 40 nuclear missiles in Cuba, the President called for a "quarantine" on all ships carrying offensive weapons to the island, an act which was called by some tantamount to a declaration of war. He acted before Congress took any action. With the expansion of the executive branch (the Department of Defense, the Central Intelligence Agency [CIA] and the National Security Council [NSC] were created by the National Security Act of 1947), the President's ability to carry out prompt and secret policies has increased.

Role of the NSC

This became evident in the fall of 1986, when the press reported that members of the NSC staff, authorized by the President, had opened contact with Iran and had secretly shipped that country military equipment. The President was evidently carrying out a secret policy of trying to obtain the release of American hostages in Lebanon, even while his Administration (and Congress) was carrying out a public policy of trying to isolate Iran and embargo arms. The NSC adviser and his staff are well suited for such private initiatives since they are freer from congressional oversight than others in foreign policymaking: and neither the adviser nor his staff is subject to Senate confirmation. (President Richard M. Nixon used his national security adviser, Henry A. Kissinger, to make the arrangements for opening relations with China, and President Jimmy Carter used his adviser, Zbigniew Brezinski, to conduct negotiations with Iran over hostages.) Soon after the disclosure of the NSC's dealings with Iran, some congressmen suggested setting up an oversight committee to monitor the NSC's actions. Congress set up a similar committee in 1976 to monitor the CIA's activities.

"Short of a treaty and short of a war, the President can act . . . until and unless Congress says no," writes Henkin. Congress' willingness to say no and the loudness with which it says it have varied over time, but two major eras stand out: the 1870s through the 1890s and the 1970s. Congressional activism in the late 19th century was in reaction to Abraham Lincoln's seizure of powers during the Civil War. In the 1970s, Congress' reach for power was in response to an unpopular President and an unpopular war in Vietnam.

Backed by a larger and better-informed staff than it had ever had before, Congress assumed a larger role in legislating foreign policy. For example, the Jackson-Vanik Amendment to the 1974 Trade Act prohibited extension of trade concessions to any Communist country that restricts emigration of its citizens. The 1975 Clark Amendment cut off U.S. covert aid to factions opposed to the Marxist government in Angola, bringing to an end U.S. involvement in that civil war. One of the most controversial pieces of legislation during this decade was the War Powers Resolution.

The use of force

The background of the War Powers Resolution was the ongoing and increasingly unpopular Vietnam war. President Lyndon B. Johnson had used the Gulf of Tonkin Resolution, which had been approved without dissent by the House and by a vote of 88-2 in the Senate in 1964, as a justification for the expansion of the U.S. role in the undeclared war. The resolution was approved in the wake of an unsuccessful

attack on two U.S. destroyers in the Gulf of Tonkin. Many members of Congress subsequently felt that the U.S. had provoked the attack and that Johnson had tricked them into delegating away their war-making powers. (They repealed the Tonkin Gulf Resolution in 1971.) The War Powers Resolution was intended as a remedy.

The resolution, passed over President Nixon's veto in 1973, requires that the President, in every possible instance, shall consult with Congress before introducing armed forces into hostilities. Once troops have been dispatched, Congress requires that their involvement in hostilities be reported, and that it be terminated in 60 days unless Congress votes otherwise. Congress also asserted the power to require the troops' removal at any time.

The bill's sponsor, the late Senator Jacob K. Javits (R-N.Y.), praised it as being the first legislation to establish "a statutory framework in which Congress and the President could function so as to give meaning to the constitutional authority over war." Javits and other supporters argued that the Constitution gives Congress the power to decide whether to go to war, implying a restriction on the powers of the President to engage in a war. Therefore it follows that Congress can direct the President in matters of hostilities.

Critics of the War Powers Resolution doubt the constitutionality of the legislation, and disagree that the President's power to use force is limited. Said Monroe Leigh, former legal adviser to the State Department: "If the President had the independent constitutional power [as Commander in Chief] to put troops into hostilities in the first place, how can Congress curtail that power by mere statute?" Congress has the power to end a war by cutting off funds, critics say, but it cannot assume the power to end a war in any other way, as to do so would be to take more power than the Constitution allows.

The question of whether or not the War Powers Resolution is constitutional may never be resolved since the Supreme Court would probably refuse to hear such a case on the grounds that it was a political issue. The bill's effectiveness, therefore, will be determined in the political arena. For example, in the early days of the Vietnam war, there was broad support for the President, and the War Powers Resolution would probably not have won many votes. When the tide of public opinion turned, Congress could probably have invoked the resolution but it could also have cut off funds for the war, which is what it eventually did.

During U.S. military exercises off the coast of Libya in March 1986, Libya fired missiles at U.S. jet fighters.

Who is stronger today?

In which direction is the pendulum moving today—toward a stronger executive or a more assertive Congress? The answer depends very much on who is asked and the particular issue involved. Among GREAT DECISIONS participants who were asked last year to indicate which actors with a role in foreign policymaking had too much influence, 35% said the President, 18% said the Congress. Congress would probably have received more votes if members of the Defense Department, who have had first-hand experience with Congress' "power of the purse," were asked. Two specific foreign policy cases may explain why the question is more difficult to answer than it would appear: Central America and Libya.

Central America has been one of the Reagan Administration's main concerns since coming to office in 1981. Reagan made clear then, and has continued to do so, that he felt the Sandinista government in Nicaragua was a threat to the interests of the U.S. and its Central American friends. "There seems to be no crime to which the Sandinistas will not stoop—this is an outlaw regime," he said in a 1986 speech to the nation. In spite of his concern, each year Congress has had a protracted debate over whether, how much and for what purpose (military or humanitarian) money should be allocated to the Central America program and, in particular, the Nicaraguan antigovernment rebels, known as contras. The amount asked in 1986 was $100 million: $70 million for military purposes and $30 million for humanitarian purposes, such as medicine.

In September 1986 Congress gave the President the money he had asked for. But the Administration had to work long for that money, which was not, after all, a great sum. If Congress wanted, it could review each and every foreign policy that required funding with the same thoroughness, say those who believe Congress is the stronger branch.

Those who believe the pendulum is on the President's side believe that Congress is too unwieldy to assert control over more than a limited number of issues a year. Congress will never be able to conduct foreign policy, even if it does try to influence it. They buttress their argument by pointing out that throughout the four years of debate over Central America, the President has been able to set the agenda and the overall course of U.S. policy. Even Congress' effectiveness in curbing presidential initiatives that could lead to war has proven limited.

For example, Congress invoked the War Powers Resolution to compel the President to withdraw U.S. troops from Lebanon. The President agreed to pull out U.S. forces in 18 months but insisted that the decision had nothing to do with Congress or the War Powers Resolution. More recently, in 1986, the President authorized several actions toward Libya without prior congressional approval. In March 1986 the U.S. conducted naval maneuvers in international waters claimed by Libyan leader Col. Muammar al-Qaddafi. An exchange of fire followed. House Foreign Affairs Committee Chairman Dante B. Fascell

(D-Fla.) protested the President's failure to consult Congress, but before Congress did anything more the incident was over. In April, the President authorized a bombing raid on Libyan bases in response to a terrorist attack on a West Berlin nightclub. Congress neither approved nor opposed the President's action.

Struggle for power

The different branches of government have a number of constitutional weapons to use in their struggle for control over foreign policy. The President can veto Congress' legislation. Congress can then override the President's veto, though this is not common. During President Reagan's term in office, only six of his vetos have been overturned and only one involved a major foreign policy issue—the October 1986 override of the President's veto of sanctions against South Africa. (See Topic 5.)

The third branch of government, the judiciary, can affect the balance of power by ruling the actions of one of the other two branches unconstitutional. The Supreme Court appeared to give the executive branch a boost in 1983, when it ruled "legislative vetos" illegal. (The veto had been a frequently used tool of the aggressive Congresses of the past 15 years. It allowed them to delegate broad powers to the President in legislation, while retaining the right to veto specific applications of those powers once the legislation had gone into effect.)

However, the Supreme Court has rarely heard cases involving the allocation of foreign policy powers granted by the Constitution. The judiciary has argued that such cases are political, not legal. When 29 congressmen brought suit against the President in 1982 over his Central America policy, the judge said: "If Congress doubts or disagrees with the Executive's determination that U.S. forces . . . have not been introduced into hostilities . . . it has the resources to investigate the matter and assert its wishes." Had it not taken such a stand, the court could have found itself ruling on whether or not the U.S. should go to war.

Through elections for President every four years, congressmen every two, and senators every six, the Constitution ensures that public opinion on important issues will be regularly tested. Since foreign policy is not always a major campaign issue, opinion surveys such as those based on GREAT DECISIONS ballots can be a useful barometer. A united public opinion can push the pendulum of power firmly in the direction of that branch of government whose foreign policy it favors. The War Powers Resolution commanded great public support when the public distrusted the President's policy. When the President's policy has had wide support, such as when Reagan authorized the invasion of Grenada, it was Congress that had to back down.

Is the present system of power-sharing in the making of foreign policy working? Should there be changes in it?

The most talked-about change is the line-item veto, which would allow the President to veto one part of a bill appropriating funds without having to veto the whole thing. Reagan favors such a change and has argued that it would speed up the appropriations process. Congress disapproves, arguing that it would take away many of its powers.

The Committee on the Constitutional System has considered several other changes, some of which would affect foreign policy. They include concurrent four-year terms for the President and representatives and allowing incumbent members of the Senate and the House to serve in congressionally designated offices in the executive branch. The effect of these two proposals would be to strengthen party loyalty, which, its advocates hope, would offset the fragmentation of foreign policy that results from separation of powers.

Although much of the debate over the Constitution and foreign policy revolves around separation of powers, the Constitution also plays a role in foreign policy by defining the way in which the U.S. will abide by international law.

Treaties and international law

ONE OF THE MOST pressing issues the framers had to address was how to stop the states' flagrant and enthusiastic violation of international law. Many states were violating the peace treaty with Britain by expropriating the estates of Loyalists. Others refused to repay debts to foreign countries. Such actions cost the U.S. the respect it desired as a sovereign nation. Even worse, they put the country in jeopardy, since sooner or later one of the offended countries was likely to be sufficiently provoked to attack.

The Constitution resolves the problem by giving treaties the authority of domestic law. Article VI of the Constitution says that treaties shall be the supreme law of the land. This has been interpreted to mean that a treaty has the same force of law as a statute that is passed by Congress.

In its other reference to international law, Article I, Section 8, the Constitution says Congress is empowered to "define and punish . . . offenses against the law of nations." This is a reference to all areas of international law, including and beyond treaties. This would include principles of customary international law, such as sovereign equality of states and the sanctity of borders.

The Constitution implies respect for and adherence to international law, and courts have repeatedly ruled that international law is the law of the land. Nonetheless, the President and/or Congress can take an action in violation of international law so long as they are acting on their constitutional authority. The reason was set forth by former Secretary of State Dean Acheson during the Cuban missile crisis, when the U.S. took steps that some considered contrary to the UN Charter: "The survival of states is not a matter of law." Most lawyers believe that the framers of the Constitution could not have intended the U.S. to obey international law at the cost of American security.

Treaties

At the time of the Constitutional Convention, the major way in which countries dealt with each other was by treaty. The Senate has consented to more than 1,250 treaties. Major treaties affecting U.S. foreign policy include the UN Charter, the North Atlantic Treaty, which cements the Atlantic alliance between the U.S., Canada and Western Europe; and the Antiballistic Missile (ABM) Treaty of 1972. SALT II, the strategic arms limitation treaty of 1979, never ratified and now expired, nonetheless has had real effects on U.S. defense.

When they conclude treaties, nations agree to restrict their sovereignty. They do so, generally, in order to get something in return. (In entering into the ABM Treaty, for example, the U.S. agreed to limit its ABM defenses because it wanted the Soviets to do likewise.) The only limitation the U.S. has in entering into treaties is that they cannot violate the Constitution. For example, the U.S. could never sign a treaty abridging an American's freedom of speech.

As U.S. powers and interests have broadened, so too has the country's need to come to agreements with other nations. Since the treaty process has sometimes proved cumbersome, this has led to greater reliance on executive agreements. These agreements are not mentioned, or defined, by the Constitution, and it has fallen to the President to determine when such agreements should be used and how formal they should be. The President usually makes executive agreements on his own authority, but if it involves expenditure of money, he may ask for congressional approval. (Any executive agreement involving money will ultimately require congressional approval in order for the funds to be appropriated.) Executive agreements have the force of international law, and the effect of their increase has been to give the President more power.

Staying uninvolved

Thanks to the deliberately complicated constitutional arrangement for making treaties, many treaties have been rejected or languished in the Senate. A classic example is the genocide treaty.

The genocide treaty, which makes it an international crime to destroy, in its entirety or in part, a national, ethnic, racial or religious group and which was prompted by international outrage against the Holocaust, was first submitted to the Senate for approval by Harry S. Truman in June 1949.

The treaty was bottled up in the Senate for 37 years until February 1986, when the Senate consented to ratification by a vote of 83-11. Originally, opposition to this treaty and other international human rights covenants came from those who didn't consider human rights an appropriate subject for treaty-making and who feared such treaties would impinge on states' rights and U.S. constitutional freedoms.

More recently, opposition to the genocide treaty came from those who feared it would give the International Court of Justice (or World Court) in The Hague or some other non-U.S. judicial body jurisdiction in a case that might be brought against the U.S. by a hostile government. Senator Jesse Helms (R-N.C.), one of the treaty's most outspoken opponents, explained: "My chief object . . . has been to see that the independent sovereignty of the U.S. is protected from interference by an international regime of law."

When the Senate finally did approve the treaty it did so with reservations. Two of the most important were a reservation requiring that the U.S. could not be brought to the World Court on a legal question involving genocide without American consent and, secondly, a statement that the American Constitution takes precedence over the treaty. Even these reservations did not remove the concerns of 11 senators. Said Helms, who voted against the treaty, "I think that the U.S. should be moving away from entangling alliances, not moving toward more in an uncertain future."

UN Charter

At the heart of the opposition to the genocide treaty was the concern that some outside law might supersede constitutional law. This concern, argue supporters of the treaty, is the result of a misunderstanding of the distinction between constitutional and international law. As an example, they cite the UN Charter and the way it has affected U.S. foreign policy.

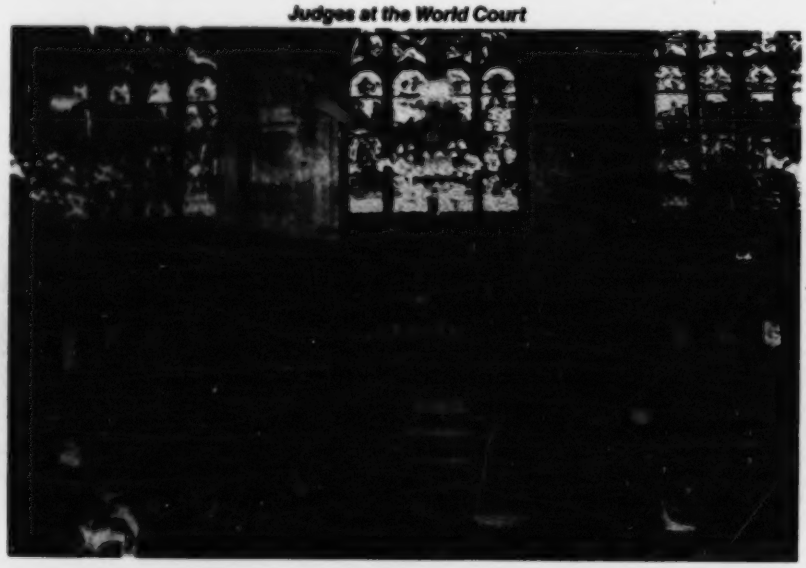
When the U.S. approved the UN Charter, it approved a treaty that denies the President's power to send troops abroad and Congress' right to go to war. (According to Article 2, Section 4, of the Charter, "All members shall refrain in their international relations from the threat or use of force. . . ." The only specified exceptions are in Article 51, which recognizes the inherent right of individual and collective self-defense, and in Chapter VII, which authorizes the collective use of force under UN auspices.)

The Charter has influenced U.S. foreign policy. The U.S. went to war in Korea at the behest of the UN Security Council (although the council was responding to a U.S. proposal). Some believe the Charter restrained the U.S. from invading Cuba in 1962. Others think that the infrequency of cross-border actions, such as the Soviet invasion of Afghanistan in 1979, can be attributed to the Charter.

Even so, the Charter has not diminished the President's or Congress' powers under the Constitution to go to war. ". . . Both the Congress and the President continue to have their powers—though not the right under international law—to declare war, use force or otherwise act in violation of the UN Charter, as they can disregard other international obligations," Henkin has written. The Constitution does not prohibit the political branches from taking steps in violation of international law, so long as they are acting within their powers. The result has been that both branches have taken steps at times that some have considered in violation of international law.

During the Vietnam war, suits were

Judges at the World Court



brought against the Defense Department for violating the UN Charter. U.S. courts refused to hear the suits. There were also claims that the U.S. violated the Charter when it invaded the small Caribbean island of Grenada in 1983 to rescue American students following a violent leftist coup.

Congress also has been charged with violating international treaty obligations. In 1986, Congress cut funding for the UN, which has traditionally been 25% of annual costs, apparently in violation of its treaty obligation to the UN. The Kassebaum amendment to the U.S. State Department authorization requires a cap of 20% on the U.S. contribution until the UN adopts a system of voting that would give the U.S. and other major contributors fiscal influence proportional to their financial contribution. For 1986, the Kassebaum amendment would mean a $42 million drop in the U.S. contribution. Critics of the move argue that the U.S. is violating its treaty obligations and does not have a right to make such a change unilaterally. "Philosophically and legally, there is no difference between the U.S. signature on the UN Charter and on the NATO treaty," the United Nations Association of the U.S.A. asserts.

(Actions that are acceptable on constitutional grounds are not necessarily acceptable to the UN or under international law. For example, the U.S. occupation of Grenada in 1983 was widely approved in the U.S. but was condemned by the UN General Assembly by a vote of 108 to 9, with 27 abstentions, as a violation of international law.)

Obeying the law

Although the Constitution does not forbid the government to violate international law, it does provide incentives for obeying it. By dividing foreign policy powers, the Constitution makes each branch a watchdog over the other's actions. For example, in April 1984 the Senate voted for a nonbinding resolution demanding that no U.S. money be used to mine the harbors of Nicaragua. Many members felt that the CIA, by mining the harbors, had violated international law. Support for the resolution also came from senators, such as Barry Goldwater (R-Ariz.), who were angry over the executive's perceived infringement of Congress' right to declare war.

What other incentives does the U.S. have to obey international law? First, self-interest. A treaty is essentially a bargain. If the U.S. does not live up to its end of a bargain, other countries are unlikely to honor theirs.

A stable international environment is necessarily in the interest of the U.S., some claim. "Democracy cannot flourish in a lawless environment," wrote Washington attorney Lloyd N. Cutler. In such an environment, instability is likely to lead to revolutions and changes in the status quo that are not in the U.S. favor.

U.S. violations encourage more violations by other countries. Political scientist Edwin C. Hoyt suggests that when the Argentines invaded the Falkland Islands in 1982, they did so partly out of the conviction that the U.S. would not object too strenuously since the U.S. had earlier appeared to tolerate resort to force by Israel and some other nations.

Finally, there is what might be called the international equivalent of peer pressure to abide by international law, or what law professor Elisabeth M.F. Zoller has defined as the traffic-light paradigm. Most people, she says, do not run through traffic lights. Partly this is out of fear of the police. But mainly it is because everybody stops at lights and everyone expects you to. "States," she says, "more often than not comply with international law, but they do so because everybody does."

The rule of law

THE CURRENT international order dates from the end of World War II. Appalled by the war's destruction, the countries of the world agreed to set up a new international order—one that is described and defined in the UN Charter.

The UN Charter begins with virtually the same wording as does the U.S. Constitution, "We the Peoples. . ." and in a sense it represents the Constitution writ large. Believing in the effectiveness of their own laws and Constitution at home, the Americans who were to play such an important part in forming the new world order believed that similar laws could guide a world community.

The first major challenge to the new international order was the cold war between the U.S. and the Soviet Union, which began in the late 1940s. Soviet actions, including the establishment in its neighboring countries of Communist governments, the repression of Polish dissent and the invasion of Hungary, violated the basic tenets of international law. (These include territorial sovereignty.) The U.S. sometimes also violated the law, as when it helped overthrow a left-leaning government in Guatemala in 1954.

The *détente* of the 1970s, which was in effect an effort to deal with the Soviets within a legal framework, yielded two arms control treaties. But the Soviet invasion of Afghanistan in 1979 and the suspicion that the Soviets were not abiding by their arms limitation treaty obligations left the Reagan Administration skeptical of the use of law in dealing with the Soviets.

Changes in the UN also challenged U.S. faith in the international order. Originally dominated by Western powers with shared interests, the UN grew with decolonization to include countries that had interests often at variance with the U.S. The U.S. was no longer sure of getting a fair—or friendly—hearing at the UN. Columnist George Will voiced this sentiment most forcefully, when, after it had been intimated that the Grenada invasion violated the UN Charter, he wrote: "But it is bad enough we pay for the UN; surely we do not have to pay attention to it."

A third and more recent challenge to the international order has been that of terrorism. The rise in terrorist acts represents a serious challenge to the credibility of the rule of law. From 293 incidents in 1970, the number had grown to 3,525 major terrorist actions in 1984. According to *The New York Times*, one in seven Americans thinks that terrorism is the most pressing foreign policy problem facing the U.S. But finding a legal solution to terrorism is difficult. Extradition treaties, which exempt political offenses, have sometimes been applied to terrorists, making it difficult to enforce what law there is. The result is that terrorism strikes at the heart of the international order.

Toward a legal response

In its efforts to meet these challenges to the international order, the Reagan Administration has taken some steps

which have themselves challenged the rule of law. In 1984, following the mining by the CIA of its harbors, Nicaragua filed a suit in the World Court charging the U.S. with aggression and violating international law. Rather than take part in the trial, the U.S. withdrew itself from the jurisdiction of the court.

The Reagan Administration maintained that the U.S. would not be able to get a fair hearing at the World Court. The State Department argued that the World Court was incapable of contributing to a solution in Central America and had never been empowered to handle cases involving use of force. Said Secretary of State George P. Shultz, ". . . We will not permit our enemies—who despise the rule of law as a 'bourgeois' notion—to use *our* devotion to law and morality as a weapon against us." Supporters of withdrawal noted that critical issues of foreign policy should be decided domestically and not by 15 judges, many from Third World and Soviet-bloc countries.

Critics of U.S. policy argued that the U.S. would have had solid legal grounds for rebutting Nicaragua's argument. It could have argued that its support of the contras was a valid exercise of its right of collective self-defense in response to Nicaragua's aid of the insurgents in El Salvador. By arguing the merits of its case, they claim, the U.S. would have committed its prestige to the rule of law. As Columbia law professor Richard N. Gardner put it: "Democratic governments, unlike totalitarian ones, hold themselves accountable for their actions."

Law and terrorism

In its efforts to fight terrorism, the Administration has increasingly turned to force against the offending party. Said Shultz, "A nation attacked by terrorists is permitted to use force to prevent or preempt future attacks. . . ." As part of this policy, the U.S. bombed Libya in April 1986 in retaliation for a terrorist attack in West Berlin.

Administration supporters say the U.S. has turned to the use of force only when international agreements have failed and that its actions in Libya were a justified exercise of the international law of the right of self-defense. Abraham D. Sofaer, legal adviser of the State Department, points out that the U.S. is doing internationally what it would do domestically. "Controlling domestic criminality is itself an endless challenge, even though every civilized nation has criminal laws. . . ." "The legal restraints on the use of force have broadly functioned to provide rogue states like Libya, Syria and Iran with a legal shield from armed reprisals. . . ." said Professor Gidon Gottlieb of the University of Chicago Law School.

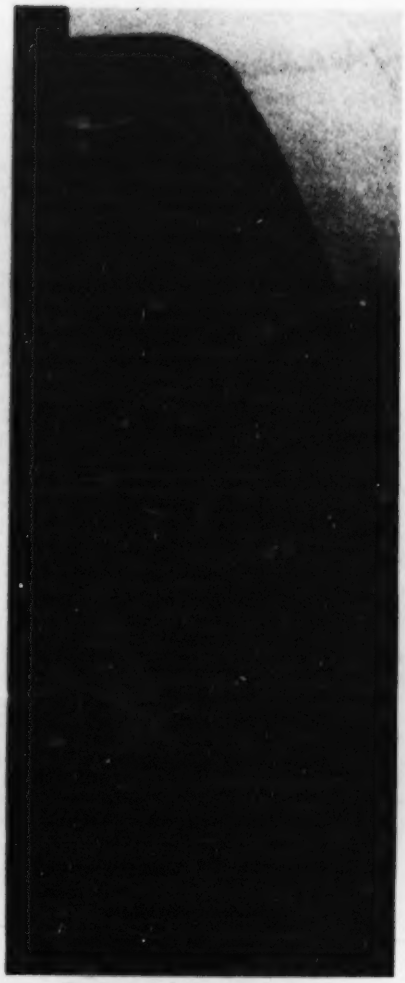
But critics say that such violence is not likely to end terrorism. Instead, they argue, what is needed is a greater commitment to law and more consistency in dealing with terrorists. ". . . In a world where international law is increasingly thought to be irrelevant, . . . terrorism will flourish," argues Senator Daniel Patrick Moynihan (D-N.Y.). U.S. actions, such as the bombing of Libya, critics claim, only encourage others to twist the law to their own ends. Above all, critics say, the U.S. must be consistent in its actions. Leaving Syria's name off a list of states sponsoring terrorism because the U.S. wanted Syria's assistance in finding a solution to the problem in Lebanon sends the wrong signal.

Law and communism

Perhaps no Administration policy has been so controversial as the Reagan Doctrine. Reagan first announced this doctrine in his 1985 State of the Union address, when he said that it was in the U.S. interest to support those fighting for freedom against Soviet-supported aggression. The doctrine is an effort to help rebels in four countries (Nicaragua, Angola, Afghanistan and Cambodia). Except for Nicaragua, the President has had broad congressional backing.

Supporters of this policy argue that it represents an effort by the U.S. to share its own freedom with those who are suffering. They believe that the rights of individuals are more important than the rights of nations to noninterference by other countries. It is a sign, wrote columnist Charles Krauthammer, of an "independent, self-confident and self-directed policy," and the U.S. should have no hesitation in helping other people achieve goals, such as freedom, which the U.S. holds most precious.

Critics say that the doctrine poses a substantial challenge to the international order. Many support the legality of U.S. aid to Afghan and Cambodian resistance fighters, whose countries have been invaded, under the principle of collective self-defense, but question the legality of efforts to overthrow governments like Nicaragua and Angola, countries that are not victims of aggression. Said Gardner, "Two thirds of the members of the international community are less than fully functioning democracies and at least one third engage in gross and persistent human rights violations. A legal principle that would authorize . . . intervention against such a large number of countries would be an invitation to an unrestrained world civil war. . . ." "For even if it is granted," says Johns Hopkins University professor Robert W. Tucker, "that individual freedom is the highest moral good, this good may only be securely realized in a world that enjoys a degree of international order and peace."



The hidden face of terrorism menaced the U.S. during 1986.

★ ★ ★

The Constitution's principles have shaped U.S. foreign policy for 200 years. On the occasion of its bicentennial, Americans will debate how well it continues to meet U.S. needs.

Opinion Ballot ▶ p. 89

For Discussion

1. In 1987, a Republican President will confront a Democratic-controlled Congress. How do you think this will affect the making of foreign policy?

2. Representative Newt Gingrich (R-Ga.) has said that only a country as powerful as ours could survive a foreign policy system like ours. What do you think he meant? Do you agree?

3. What branch of government do you think is most responsible for U.S. foreign policy? Which branch should be?

4. At what point do you think the Congress should restrain a President's war-making powers? In the event of U.S. involvement in a covert war? In the event of an attack, as on Libya, in response to terrorism? In the event of a nuclear attack against the U.S.?

5. What effect do you think the War Powers Resolution would have had on the U.S. entry in World War II? the Korean War? the Vietnam war? Under what circumstances do you think the resolution would be most effective?

6. One scholar has written that the " 'death of constitutionalism' may be the central event of our time." What do you think he means? Do you agree?

7. Many of the important foreign policy actions taken since World War II have been by executive agreement rather than treaty. Have Presidents abused executive agreements? When is an executive agreement more appropriate than a treaty?

8. Many observers believe that international law encourages stability. Do you think this is one reason the U.S. has supported it? Do you think that today the U.S. has a greater or lesser interest in abiding by international law?

9. Many people favored U.S. involvement in the UN because they felt that America's lack of participation in the League of Nations led to World War II. What do you think motivates continued U.S. involvement in the UN today?

10. Do you think the Constitution continues to serve U.S. interests? If you could change it, what improvements would you make? Do you think it should be more specific about the delegation of foreign policy powers?

11. Should Congress have the power to oversee the actions of the National Security Council?

Suggested Readings

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For further in-depth reading, write for the GREAT DECISIONS *'87 Bibliography (see page 2).*

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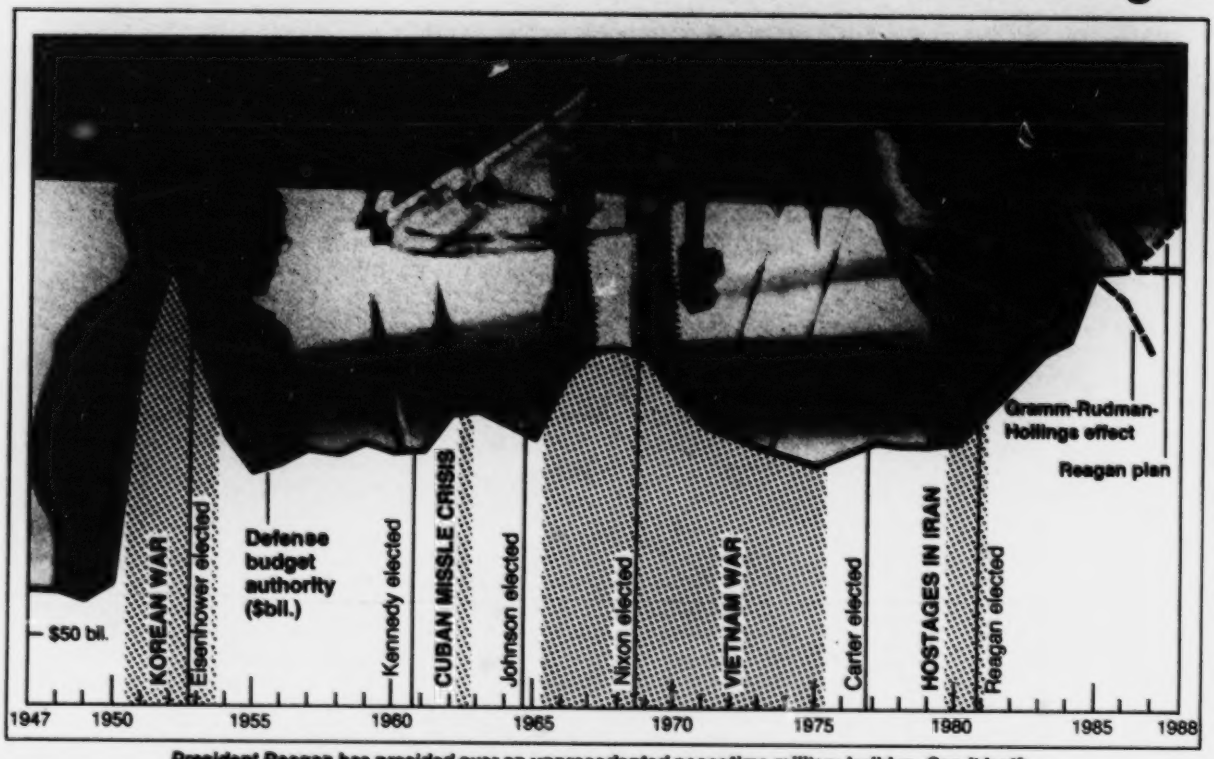
2 Defense and the Federal Deficit

U.S. Needs, Soviet Challenges



President Reagan has presided over an unprecedented peacetime military buildup. Can it last?

THE ADMINISTRATION of Ronald Reagan succeeded in winning over $1 trillion for defense during its first five years in office, achieving the largest peacetime military buildup in American history. Warning that the U.S. had "unilaterally disarmed" during the 1970s and left its military "absolutely incapable of defending this country," President Reagan initially commanded widespread popular and congressional support for his ambitious programs to undo the damage done by the "decade of neglect."

But by mid-1986, it appeared that defense spending might be facing the deepest cuts since the U.S. demobilized following World War II. Congress sliced $24 billion off President Reagan's defense budget request for fiscal year (FY) 1986 and $30 billion from his FY 1987 request. Many analysts, both in and outside the Pentagon, are now predicting that over the next several years the defense budget will only be permitted to grow at a level high enough to compensate for inflation. If that happens, the Pentagon could be faced with the need to make do with some $500 billion less over the next five years than it had projected in 1985.

Can the Pentagon provide adequately for U.S. security at that level? President Reagan has insisted that it cannot, terming the calls for cuts in his FY 1987 budget "a reckless assault on the national defense of the U.S."

Congress and the public appear to disagree with the President. Support for Reagan's priorities has been hurt by a number of factors, first and foremost among them a $210 billion Federal budget deficit. Congress passed the Gramm-Rudman-Hollings (G-R-H) deficit reduction act at the end of 1985, providing for elimination of the Federal deficit by the end of 1991. The act sets annual reduction targets and provides a mechanism for across-the-board budget cuts should the Administration and Congress be unable to agree on appropriate spending and revenue legislation to reach those targets. Automatic cuts—which will take equal chunks out of domestic program budgets and defense—will take effect at the end of FY 1987 if the deficit is above $154 billion.

To Reagan and Secretary of Defense Caspar W. Weinberger, it is the nature of the Soviet threat, not the size of the Federal deficit, that should determine the size of the defense budget. Both cautioned that the task of reversing the unfavorable trends of the 1970s would require several more years of sustained budget increases. Reagan requested defense funding of $320.3 billion for FY 1987, an 8% rise in real terms (excluding the effects of inflation) over the final

figure for 1986 (G-R-H cuts took an additional $12 billion out of the FY 1986 budget in March 1986), and warned the nation in a February 1986 television address that any reduction would be "reckless, dangerous and wrong, . . . backsliding of the most irresponsible kind."

But Senator Sam Nunn (D-Ga.), ranking member of the Senate Armed Services Committee, warned that given the decline in public support for defense, even if the Administration's request were "in tune with the threat and the need, . . . it is not in tune with what is going to happen, even under the best of circumstances." He and other defense experts worry that the deficit-reduction hatchet is likely to fall in the wrong places, reversing the recent improvements in U.S. defenses. If the automatic cuts mandated by G-R-H go into effect, Reagan's request will have to be slashed by $49 billion to meet the FY 1987 target.

To carry out its plans for the next five years, the Administration has said it will need up to $2 trillion over and above the $1 trillion it has already spent on defense. It no longer looks as if Congress will vote to provide anywhere near that amount of money. Will this endanger U.S. national security? Can the Federal deficit be cut without trimming defense? Can this country be defended for less? Are there changes in the way the U.S. decides on and implements its defense policy that would provide greater security at less cost?

Civilians and soldiers

The U.S. Department of Defense annually spends more than twice what the top *Fortune* 500 company in this country generates in total sales every year. The budget pays the salaries of some 4.5 million men and women in the U.S. and overseas and purchases a vast array of military hardware and supplies.

This large peacetime defense establishment is only 40 years old. Between the two world wars, the U.S. followed a largely isolationist policy. There was no unified Defense Department, and the Army and Navy had very little to do—formally at least—with policymaking. This reflected a basic American distrust of the professional military, which the Constitution placed firmly under civilian control. The services were charged only with responsibility for fighting and winning wars, when directed to do so by the President and Congress.

World War II, from which the U.S. emerged as the strongest nation in the world, ended American isolationism. The U.S. came to believe, as it has ever since, that the preservation of a stable international order required active American involvement. This meant, among other things, reorganizing the military and giving it a more permanent role in decisionmaking. The National Security Act of 1947 created the Department of Defense to coordinate the activities of the Army, Navy and newly created Air Force. DOD is presided over by a civilian secretary, who serves as the President's adviser on defense matters. The act also created the Joint Chiefs of Staff (JCS)—the top officer of each service, including the Marine Corps, plus a chairman—to provide the civilian secretary of defense and the President with military advice.

Ends, ways and means

The most basic national security requirement for any country is its physical security, which makes it possible to pursue other goals it values. As Weinberger expressed them in his FY 1987 *Annual Report to the Congress*, the basic goals of U.S. national security policy since the late 1940s have been:

To preserve the independence, free institutions and territorial integrity of the U.S.;

To preserve U.S. and allied vital interests abroad; and

To shape an international order in which our freedoms and democratic institutions can survive and prosper—an international order in which states coexist without the use of force and in which citizens are free to choose their own governments.

A vital national *interest* can be defined as something whose loss would fundamentally threaten U.S. security. Which interests are vital is a matter of dispute; moreover, perceptions of national interests tend to change over time.

The U.S. defines its interests in global terms. Whereas a small, poor nation is unlikely to have the power to influence what is happening halfway around the world, the U.S. has the ability to reach areas far from its own shores and to affect—and be affected by—what happens there. It has a strong political and economic interest in Western Europe, where two world wars have been fought in this century; in East Asia and in particular Japan, which it has helped rebuild into an economically powerful ally since World War II, and in South Korea, where more U.S. troops are stationed than in any other country aside from West Germany; and in the Middle East, where much of the world's oil is located. It also has interests in Africa, with its rich deposits of non-oil resources, and closer to home, in Latin America. The U.S. has used military force several times since World War II to defend what it viewed as its vital political or economic interests thousands of miles away, including in Korea (1950-53) as part of a United Nations force following the invasion of South Korea by Communist North Korea; and in Southeast Asia (1960-73) where Communist North Vietnam eventually prevailed over South Vietnam after U.S. troops were withdrawn.

Threat and containment

Ever since the end of World War II, the U.S. has viewed the Soviet Union, with its enormous size, resources and military strength and its commitment to the spread of communism, as the most serious threat to U.S. national security. The dominant feature of postwar American security policy has therefore been to *contain* the expansion of Soviet influence in the world.

Militarily, this has meant defending against a wide range of plausible Soviet attacks on U.S. allies or against American interests. The U.S. has relied on a strategy of *deterrence*, which seeks to prevent war by convincing a potential adversary that the cost of attacking will outweigh any possible gain. Although it has built up its conventional strength to this end, the U.S. has also relied heavily on its nuclear arsenal to back up its conventional forces, which have never been as large as those of the Soviet Union.

The U.S. has also forged collective security arrangements with friendly nations on the periphery of the Soviet Union, the oldest and most important of which is the North Atlantic Treaty Organization (NATO). The U.S. currently has 344,000 troops stationed in Western Europe, most of which are in West Germany.

Such "forward deployment" of troops has been another mainstay of U.S. defense policy. The U.S. has more than 300 military bases and installations on the soil of its allies overseas. Its naval forces, notably aircraft carrier groups, also have the flexibility to project American power quickly to important regions like the Middle East where a more permanent military presence ashore is not politically possible or desirable.

Buying security

How does the U.S. go about deciding what its defense requirements are and what level of resources to commit to them? The process has been compared to buying disaster insurance: the U.S. needs to spend enough to protect itself and its interests from likely threats, without bankrupting itself by attempting to

What the Budget Buys

There are a number of ways to look at what the defense budget buys. The first thing to remember is that the total amount of funding provided by Congress each year is called *budget authority*. Budget authority is spent over a period of years. Only 55-60% of actual spending (*outlays*) in any one year comes from that year's funding; the rest is from prior-year appropriations. The distinction is especially important to bear in mind in a year when deficit reduction is a priority, since the Federal deficit is measured in outlays—actual spending—not budget authority. Outlays in any one year are normally smaller than budget authority. Therefore, reducing the deficit generally requires a proportionately larger cut in budget authority in order to generate the necessary savings in outlays. In any given year, for example, a $1 cut in procurement funding (for the purchase of new weapons and other equipment in the production stage) normally produces only 13¢ in outlay savings that year.

Congress authorizes funds by categories known as appropriation accounts. Procurement consumes the largest share of budget authority, 30% in the FY 1987 budget request. Operations and Maintenance (O&M), which pays for civilian staff salaries, upkeep and support (spare parts, fuel, servicing, and so on), is second at 27%. Military personnel is third, with 23%. (Total military and civilian pay accounts for 35% of the FY 1987 budget request.) Research, Development, Testing and Evaluation (RDT&E—or, more colloquially, R&D), military construction and defense-related Department of Energy activities account for the rest.

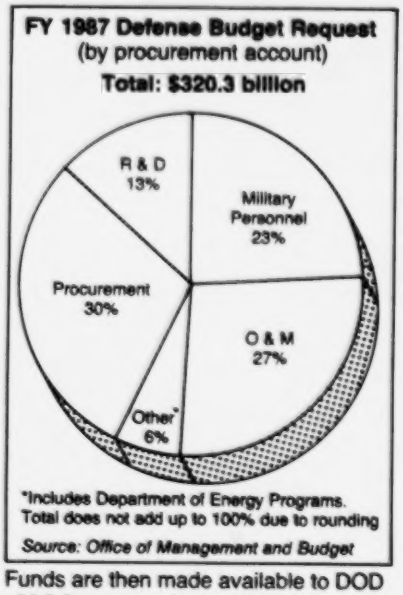
Appropriation accounts fall into two broad groups—those that *add* to or *modernize* the existing stock of weaponry and those that help to *maintain* that stock. Procurement, military construction and R&D are often referred to as investment or modernization accounts. O&M and personnel are often called readiness accounts, which include military pay, training, drill time, repair services and so on. For FY 1987 the Reagan Administration has proposed spending 46% of the budget on modernization and 54% on readiness.

provide foolproof protection. The trick is to provide enough defense to reduce the risks to an acceptable level.

Clearly, not everyone will agree on what this level should be—or on how to set it. Should the U.S. decide what it needs for defense first and then raise the necessary funds, or first decide how much it can afford and then apportion that amount among the various requirements? Defense planning is complicated by the fact that thousands of people are involved in the process, among them career military officers, Pentagon civilians, defense contractors, analysts in the Office of Management and Budget (OMB), local politicians and congressmen representing thousands of communities across the nation. The complexity of the process almost guarantees that the result will not be a perfect match between requirements and resources.

The defense budget should reconcile ends (overall U.S. defense goals) with means (the specific military programs designed to attain them). The President's defense budget request is shaped by the executive branch over a period of roughly 18 months. The final defense budget is presented in the secretary of defense's *Annual Report to the Congress* in late January or early February of each year. It sets forth Administration policy and strategy, and explains the rationale for the President's funding requests for all military programs.

At this point, every aspect of the defense budget must be approved by both houses of Congress. In the early stages of congressional consideration, hearings are held in the armed services committees of the House and Senate to determine how much funding to *authorize* the Defense Department. But DOD cannot spend that money until it is *appropriated* by both houses' appropriations committees. That requires another set of hearings, with many of the same witnesses debating the same issues.



Funds are then made available to DOD which it can spend, or contract to spend.

The Reagan buildup

IN A 1981 TELEVISION address, President Reagan expressed the view that "in virtually every measure of military power the Soviet Union enjoys a decided advantage" as a result of shrinking U.S. defense budgets during a period of "relentless" Soviet buildup throughout the 1970s. Not only did this expose the U.S. to the danger of an actual attack, Reagan said, but it could have persuaded the Soviet Union that it could, without fear of serious American response, take advantage of trouble spots throughout the world to encourage the spread of communism. He pointed to a string of examples: Soviet support for Cuban proxies in Angola since 1975, Soviet support of a revolutionary regime in Ethiopia in 1977, the invasion of Afghanistan in 1979, and aid to the Sandinista government of Nicaragua in "exporting" its revolution to other Central American countries in the early 1980s.

Reagan was worried about the continued ability of the U.S. to deter a nuclear war. Nuclear deterrence rests on the ability to convince an adversary that even if he tries to eliminate your retaliatory capability in a disabling "first strike,"

you will still have enough weapons left to cause him unacceptable damage. Reagan was concerned about a "window of vulnerability"—a situation in which U.S. land-based intercontinental ballistic missiles (ICBMs) in fixed underground silos could be eliminated in a first strike by growing numbers of powerful, increasingly accurate Soviet ICBMs. At the same time, nuclear-armed bombers were up against improving Soviet air defenses. As a result, only ballistic missiles based on submarines—the sea leg of the air-sea-land strategic triad—were still invulnerable and adequately effective. In short, the U.S. deterrent was seriously weakened.

In conventional forces, the Soviet Union had the advantage in numbers of manpower, equipment and readiness—and transformed what had been a coastal defense fleet into a modern "blue-water" navy. The Soviet Union had also built up an arsenal of chemical weapons.

Reagan believed a U.S. buildup was also necessary to convince the Soviet Union that arms control agreements that reduced numbers of nuclear weapons on both sides were in their interest. "There's a direct relationship between modernization programs. . .and the twin objectives of deterrence and arms control," Reagan said in 1982. Seeking peace without adequate military strength, he said, "makes about as much sense as saying that the way to prevent fires is to close down the fire department."

To redress the growing vulnerability of U.S. forces, eliminate the U.S.S.R.'s edge in military power and force the Soviet Union to negotiate arms reduction agreements would require a significant acceleration of the buildup begun by President Jimmy Carter—at the insistence of a Democratic Congress—following the Soviet invasion of Afghanistan. Reagan raised Carter's FY 1982 request for defense funding by $18 billion, which Congress approved. Congress eventually funded over 95% of his first five-year request.

Over the past six years, funding for defense has risen by roughly 50% in real terms. Was the buildup necessary? Has it bought significant improvements in U.S. security?

The Reagan strategy

Reagan's critics charge that the Administration's military strategy can be summed up by the word "more." But to Reagan and Weinberger, the poor state of the military the Administration inherited and the global nature of the Soviet threat meant that "more" across the board was exactly what U.S. defense required. The Administration has advocated developing the military capability both to fight a global, and possibly prolonged, war on three major fronts—Western Europe, East Asia and the Middle East—and to respond to smaller conflicts elsewhere. This means the U.S. must have the capability to deter a nuclear war; maintain maritime superiority in order to protect sea-lanes—and perhaps bring war to the Soviets by threatening their territory and naval forces close to home; and send U.S. troops quickly to any trouble spots.

The Administration has also added new concepts to U.S. strategic thinking. It has advocated strategic defense as a means of enhancing nuclear deterrence. It has set conditions limiting the use of American conventional forces, among them the requirements that U.S. troops only be committed to defend vital interests, for clearly defined purposes, and with the "reasonable assurance" of public support. It has set forth a new strategy of arms control emphasizing verification of compliance with agreements and reductions in numbers of weapons, in place of what it has called the "pseudo arms control" policy of previous administrations, which it says permitted increases in nuclear arsenals and allowed Moscow to cheat with impunity.

Strategic programs

The Reagan buildup has strongly emphasized modernization of all weapons programs. Budget authority for modernization almost doubled in real terms between FY 1980 and 1985.

Strategic programs claimed some 13% of the FY 1985 defense budget, compared with about 9% of a much smaller budget in 1980. Among the strategic weapon systems recently funded are: the 10-warhead MX missile (though not without a long struggle with Congress which cut the original request for 100 missiles in half); a small, mobile missile, known as Midgetman; and the submarine-launched Trident D-5 missile, a significantly more powerful and accurate replacement for the C-4 missile that recently built U.S. submarines have been carrying. The Administration also won funding both for the B-1 bomber, canceled by the Carter Administration, and the advanced-technology or "Stealth" bomber, and has equipped older B-52 bombers and many surface ships with nuclear-tipped cruise missiles—pilotless aircraft that fly like airplanes and can be guided to their targets with a high degree of accuracy.

In one of the most controversial and potentially expensive developments, the Reagan Administration launched the Strategic Defense Initiative (SDI), a program to accelerate research and development of technologies to defend the U.S. from ballistic missile attack. The Administration estimates that the program will cost $26 billion between 1986 and 1990. Including funding for Department of Energy SDI programs, Reagan requested $5.3 billion for SDI in FY 1987—roughly a 75% increase over FY 1986. Of this, Congress approved only $3.5 billion.

Conventional forces

Funding for the Navy, whose role is pivotal in the Reagan defense strategy, has risen by nearly 50% over the last six years in an attempt to build a 600-ship fleet. Budget authority for shipbuilding went from $8.6 billion to $11.6 billion between 1980 and 1985.

A large portion of Navy spending is for two new aircraft carrier battle groups. Although a carrier costs only $3.5 billion to build—small by defense standards—each carrier must be furnished with aircraft and six to ten new or renovated escort and supply ships, which must also be protected. This brings the total cost per carrier group to about $18 billion. If operating and equipment replacement costs over its approximately 30-year lifespan are included, the total cost of one carrier group is close to $50 billion.

The Army has added two active divisions and is reorganizing two others to be lighter and better able to move quickly to areas of conflict. It has also begun to replace almost every major weapons system—tanks, personnel carriers, close-support helicopters, antitank and antiaircraft weapons—with sophisticated new models.

The Air Force is also modernizing: it is planning to add three more wings of tactical aircraft (1 wing = 72 planes) to its current total of 37 wings (up one from the pre-Reagan count) and an assortment of air-to-ground and air-to-air missiles.

A national change of heart

By the time Weinberger presented Reagan's FY 1987 defense budget to Congress in February 1986, popular support for further defense increases had clearly fallen off. Many attributed the drop to the public's sense that the Reagan Administration had achieved what it set out to accomplish in 1981 and that the U.S. was more secure than it

had been as a result of the Administration's substantial defense efforts. The resumption of arms control talks between the U.S. and the Soviet Union for the first time in a year and a half in the spring of 1985 and the summit meeting between Reagan and Soviet leader Mikhail S. Gorbachev in Geneva that November contributed to this view. Another factor was a string of horror stories about waste, fraud and mismanagement among the Pentagon's chief defense contractors: a $7,600 coffeepot, a $640 toilet seat, and millions of dollars in entertainment expenses or fraudulent charges billed to the government.

Defense and the economy

Above all, support for defense spending suffered as a result of concern about the growing Federal deficit. The Administration favors reducing the deficit by cutting nondefense spending but points out that the Pentagon has also done its part since budget authority actually declined in real terms in FY 1986. Critics retort that shortening a wish list for funding is hardly the same as making real cuts. Actual defense spending has continued to rise because of current outlays on programs funded in prior years.

Is the size of the defense budget a chief cause of the high Federal deficit? Some Administration critics think so. High levels of military spending, they believe, place a severe burden on the economy in other ways. Defense consumes about two thirds of government-sponsored research and development, which critics say is robbing other research programs of needed funds, luring some of the nation's best brains away from private industry, and reducing the U.S. ability to innovate and compete in the world market.

But others doubt that even today's high levels of defense spending have that much impact on the economy as a whole. Says defense budget analyst Gordon Adams—usually a critic of Administration defense policies—"this tail does not wag that dog." Defense spending accounts for only some 6% of U.S. gross national product (GNP) today, and its share of the Federal budget has not increased by much more than have interest payments on the national debt or expenditures for certain entitlement programs like Social Security. Defense spending has contributed to the deficit, but some think that the Reagan tax cut has hurt the economy more by decreasing revenues. In any case, many would agree with Herbert Stein, former chairman of the Council of Economic Advisers, who told a congressional committee

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that "we can easily afford" to spend whatever is necessary to defend the country.

Is the U.S. safer?

Has the defense buildup added appreciably to U.S. security? Weinberger asserted in his FY 1987 annual report that "U.S. military forces are stronger, readier, more capable and have a higher morale than at any previous time in our peacetime history." As proof of the positive effects of the buildup, officials point to the absence of new incidents of Soviet aggression since 1980, the U.S.S.R.'s return to the bargaining table in Geneva and the proposals the Soviets advanced at the Reagan-Gorbachev meeting in Reykjavik, Iceland, in October 1986.

Caspar W. Weinberger

Critics, on the other hand, charge that the Administration's buildup has been more of a "spend-up" that has merely thrown money at the nation's defense problems without solving them—money that in many cases has been either misspent or mismanaged. Richard Stubbing, former deputy chief of the national security division at OMB, says that the rapid growth in defense spending has "had nothing to do with a strategy, nothing to do with a program of what we needed for defense. It was the services' shopping lists."

The U.S. has gotten a poor return on its investment, critics say—supersophisticated, superexpensive weapons that don't work, overpriced spare parts and a military that is incapable of fulfilling the commitments the Reagan Administration has assigned to it.

Some criticism of the Reagan buildup comes from those who charge Reagan with overstating both Soviet strength and American weakness. Former Carter Administration officials point out that the major strategic modernization programs—the MX, the Trident program and the deployment of air-launched cruise missiles on older bombers—were started in the late 1970s, at the very time Reagan accused the former President of neglecting America's defense. Carter also launched the NATO modernization program in 1978 that led to the stationing, beginning in 1983, of intermediate-range nuclear weapons in Europe to counter the growing threat

from Soviet medium-range weapons.

Critics also claim that much of the 1980 election-year rhetoric about Soviet strength has proved to be more alarming than the reality. The Central Intelligence Agency, which had said earlier that Soviet defense spending during the 1970s climbed steadily at a rate of 4-5% a year, now thinks the rate of increase leveled off after 1976 to around 2%.

The much-touted window of vulnerability has also disappeared from the Administration's vocabulary, after being dismissed by a commission Reagan himself had appointed to study the issue. Headed by retired general and former national security adviser Brent Scowcroft, the commission determined that the threat to U.S. land-based ICBMs was less serious than the Administration had thought, and that the overall nuclear balance was stable in any event because of the strength of the other two legs of the U.S. strategic triad.

Still, most defense analysts agree that U.S. defenses did need serious attention in 1980. Spending on defense had fallen off sharply after the Vietnam war, hurting the readiness of U.S. forces and slowing programs to replace aging and obsolescent weapons. Has the U.S. gotten its money's worth?

Measuring security

Measuring the return on a defense investment is difficult. How do you measure security? Should the U.S. compare how many men and weapons it has with how many the U.S.S.R. has? Or compare how much the U.S. spends on defense with what the Soviet Union spends? By either measure, the U.S. is behind. The Soviet Union's regular armed forces, for example, are almost 2.5 times larger than those of the U.S. Where the U.S. spends some 6% of its GNP on defense, the Soviet Union spends 14%. Its GNP, however, is far smaller. (Accurate budgetary comparisons with the Soviet Union are hard to make because of the secrecy of the Soviet political system and the nature of its economy, in which prices do not reflect costs.) Most analysts think the two superpowers are far more closely matched than these numbers would indicate.

In any case, knowing how much goes into defense does not tell us much about how much security results, or how efficiently the money is spent. There is no agreement on the best way to do that. Most reviews of the Reagan buildup have been mixed, pointing to areas of tangible improvement as well as to remaining problems.

Reagan's well-funded modernization program for both strategic and conventional weapons has created great controversy. Supporters of the 10-warhead MX missile praise it for the high degree of accuracy it has displayed in testing. The threat those missiles will pose to Soviet targets, supporters say, should go a long way in reinforcing deterrence and persuading the Soviet Union to negotiate reductions in nuclear arsenals. But opponents see the MX as dangerous, destabilizing and a waste of money. It is potentially a first-strike weapon, and will be housed in the same silos that were declared vulnerable to attack in 1980. Once the Midgetman, the new small, mobile ICBM, is available, there will be no need for the MX. Midgetman has its share of detractors who think it is too expensive. Others like it because it is mobile and because its single warhead makes it unsuitable for a first strike.

Modernization

Controversy over the B-1 and Stealth bomber programs concerns whether two different bombers make sense given the steady advances in Soviet air defenses. By the time they are ready to fly in the 1990s, neither plane may be able to reach its targets. Supporters counter that both planes—and especially the Stealth—have been designed to evade projected as well as current Soviet air defenses, or at least force Moscow to add prohibitively costly improvements. The B-1 will also be used to carry cruise missiles.

Critical opinion is also divided on the new submarine-launched Trident D-5 missile, a highly accurate and powerful weapon. Those who think the U.S.-Soviet nuclear balance is now fairly stable fear the D-5 for its first-strike potential. But Stubbing and others believe the D-5 may be the most sensible investment the U.S. has made in its strategic arsenal in the past seven years, since it will be far more accurate than the missile it will replace.

In conventional weapons, the Administration has sought to compensate for Soviet numerical superiority with American technological ingenuity. Many complex new weapons have already proven their worth on the battlefield, where U.S. allies—notably Israel and Britain—have found them far superior to the less-advanced versions they faced. The Administration also claims the U.S. now has stocks of spare parts, ammunition and other essentials to last for 30 days of fighting, compared with 11-12 days in 1980.

Critics, on the other hand, say that the trend toward ever more sophisticated "gold-plated" weaponry has led increasingly to weapons that work well on paper but not on the battlefield. Two controversial examples are the Bradley Fighting Vehicle and the Sergeant York, or DIVAD (for Division Air Defense System). The Bradley has been designed and outfitted both to carry troops more safely and quickly through small-arms fire and land mines than existing carriers as well as to participate in combat. Critics charge that the $1.5 million Bradley—the "Mercedes-Benz of personnel carriers"—is more dangerous than an existing troop carrier (which today might cost $400,000) because of the presence of large stocks of ammunition on board which would explode if the Bradley were hit by antitank fire. Supporters reply that some bugs are still being worked out, and that the Bradley's speed and weaponry make it superior to cheaper carriers. The Sergeant York mobile antiaircraft weapon, a composite of existing weapons, was described by critics as "part tank, part antiaircraft gun and wholly turkey." After flunking one test after another for eight years, it was finally scrapped in October 1985, having cost $1.8 billion.

The complexity of the new weapons may also mean higher costs for replacement parts and maintenance. One estimate suggests that the Bradley, for example, may wind up costing almost 60% more to maintain than its predecessor.

Readiness

Funding for modernization has increased from 36% to 47% of the Pentagon's budget since 1980, creating what some analysts refer to as a "weapons-driven budget." This has important consequences.

Funding for new weapons is often called "slow money," because so little of it is spent during the first few years when the weapons are being developed. But as weapons go into production, outlays rise sharply. Close to 40% of FY 1986 outlays were for programs funded in previous years—weapons started in the late 1970s and early 1980s.

Once a weapon is this far into production, it is not likely to be canceled. Too many people have a stake in seeing the program completed—congressmen in the state where the weapon is produced, the company producing it, the branch of the military that needs it, and so on. If the defense budget is to be cut in a way that will help reduce the deficit, then the savings probably have to come out of readiness accounts.

One of the largest readiness accounts

is military pay and many budget analysts fear that it will be one of the first to be hit by the deficit-reduction ax. There has been a substantial improvement in the quality and quantity of the volunteer armed services since 1980, by most accounts. The number of regular uniformed personnel is 2.15 million—up 127,000—and they are a substantially better educated, better disciplined group than they were in 1980. But demographic trends show that there will be 15-20% fewer eligible males in the manpower pool by 1990. If the armed services cannot continue to offer these people adequate pay and reasonable benefits, the improvement in the armed forces may not last. In fact, over the past two years, military pay increases have had to be held down as part of the deficit-reduction effort.

Improving the process

ARE THERE WAYS OF improving the system of determining U.S. security needs and how to fulfill them? Several studies have been done on the subject over the past few years: one by a blue-ribbon commission headed by former Deputy Secretary of Defense David Packard, appointed by the President in the wake of the string of procurement scandals aired in the spring of 1985; one by Georgetown University's Center for Strategic and International Studies, which has been endorsed by six former secretaries of defense; and one by the Senate Armed Services Committee (the Nunn-Goldwater report). All three point to problems in the bureaucracy, in the way defense policy is arrived at, in how weapons are chosen and purchased, and in the way oversight is conducted. Criticisms are nothing new—no fewer than 30 separate reform proposals have been introduced since 1947—but until 1986 few major changes had been implemented.

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Interservice rivalry

Lack of coordination among the three services, which compete fiercely both for funds and for roles and missions, is a big problem.

In the 1948 Key West Agreement, the services settled their turf fight by dividing roles and missions more or less according to the principle that "armies walk, navies sail, and air forces fly." However, no service can fight a modern war—or even a battle—by walking, sailing or flying alone, so in wartime the services work together in unified commands, divided geographically. But during peacetime, each service recruits, trains and equips its own troops, and the Key West Agreement has led to neglect of some roles and costly duplication of others.

For example, the Army is prohibited by the agreement from having its own airplanes or ships. It must therefore rely on the other services to move its troops and equipment from one place to another. Since neither the Air Force nor the Navy is anxious to spend a large part of its budget servicing the Army, airlift and sea-lift missions have been consistently underfunded. The Air Force does have a plane specifically designed to provide close air support to the Army's ground forces, but the Army, not wishing to rely on another service for this critical function, has built its own fleet of helicopters to do the same job.

All the services try to be similarly self-sufficient. Senator Barry Goldwater (R-Ariz.) has complained that "we are the only country in the world I know of that has four air forces, a navy with an air force and an army [the Marines], an army with a navy and an air force, and an air force that doesn't have any boats yet [because] it hasn't been around long enough."

In combat, the lack of integration among the services can be costly. Original plans for the 1983 U.S. invasion of Grenada, a small Caribbean nation, to rescue American students after a bloody left-wing coup, called for a joint Navy and Marine operation, until the JCS intervened to involve the other two services. The result, wrote congressional defense aide William Lind, was "a plan that allowed the enemy to put on a reasonably good show." The services failed to coordinate their movements and bungled a number of missions. Among other things, the Army and Navy were unable to communicate because their radios were incompatible. Mused a *New York Times* editorial, "If the services cannot cooperate in invading a cabbage patch, how can they coordinate the defense of Europe or plans for nuclear retaliation?"

The JCS has been relatively ineffective in resolving interservice differences because the individual Chiefs find it difficult to disregard some 30 years' experience in their service or to ignore its interests. Former JCS Chairman David C. Jones says that the "Chiefs are judged by their peers and services on their success in obtaining funding for their own major systems and for protecting service interests." "The general rule is that no service ox may be gored, . . ." says former Secretary of Defense James

Schlesinger. Since JCS recommendations must be unanimous, those that reach the President have by then been stripped of anything objectionable to any Chief. The result, says Schlesinger, is that "the proffered advice is generally irrelevant, normally unread and almost always disregarded."

In September 1986, Congress passed sweeping legislation to deal with these problems, based on suggestions made by the Packard commission, Georgetown and Nunn-Goldwater reports. The bill strengthens the role of the JCS chairman, making him, rather than the JCS as a whole, the President's principal military adviser. The bill also gives commanders of joint operations in the field more control over the individual services which participate in the operation, in an attempt to prevent foulups like those that occurred in Grenada.

Procurement problems

In the defense industry, there is only one principal buyer, the Defense Department, which has standards quite different from those that operate in most of the private sector. Military specifications are elaborate, and producing hardware to conform to them is a costly business, which not many companies can afford. As a result there are fewer sellers to compete for contracts—and virtually none once a major weapon goes into production. The Reagan Administration has, however, moved toward encouraging greater competition wherever possible.

The Pentagon also tolerates higher overhead costs in some cases than do most buyers in the private sector, since reliable production—especially if a war breaks out and production rates need to be increased rapidly—is often important.

Some of the high costs involved in weapons production may be necessary, but the system is also susceptible to abuse. First, the relationship between buyer and seller is a close one. Given the profit to be earned on a major weapons system, there is a strong incentive for firms to "buy in" to a program by understating costs during the bidding period. There is also a strong incentive for DOD to go along with the low bid, which will presumably make congressional approval of a program more likely. Both the Pentagon and the contractor know that no matter how much a weapon's costs rise, there are probably too many vested interests in the program for the government to cancel it. A Rand Corporation study reported that weapons costs in the 1970s were on the average 50% higher than the original estimates. Others have disputed this figure, and cite a recent Congressional Budget Office report that found cost overruns to have declined dramatically in the past several years.

Deceptively low bids can add to weapons costs in another way: when it comes time to build the weapons and there is not enough money appropriated to pay for them, the Pentagon often "stretches out" production, building fewer weapons at a time. This may save money in the short run, but adds expense in the long run since smaller production runs mean higher unit costs.

The fox in the henhouse

The reluctance to cancel weapons can also mean that a weapon which may not work very well will still be produced. Since 1961, the DOD's Department of Program Analysis and Evaluation (PA&E) has been charged with oversight of defense projects. But Weinberger has downgraded PA&E's role and given the services more autonomy. Critics say this has meant the loss of an essential check on the services' management of weapons programs. The services disagree, on the grounds that a group of civilian analysts "who have never heard a gun fired," in the words of one retired admiral, are not qualified to second-guess the judgment of military experts.

In a number of cases, the services' testing practices have come under fire. Tests of the Bradley Fighting Vehicle, for example, have been challenged on the grounds that they did not accurately simulate likely battle conditions. The Army denied the charges, but did agree to modify future tests.

The close relationship between Pentagon procurers and the firms that build weapons is reinforced by what is known as the "revolving door"— the movement of executives from defense firms into government and vice versa. Although there are periodic scandals about kickbacks and other alleged improprieties resulting from this practice, the reality is that both government and defense firms need the expertise of those who have worked on the other side. The revolving door is therefore probably a permanent fixture of the defense establishment.

Even if substantial reforms were enacted to eliminate waste, fraud and abuse from Pentagon procurement practices, most analysts—both critical and supportive of the Administration's policies—do not think they would have much impact on the deficit problem or cure deficiencies in U.S. defense capabilities. The expense saved would amount to only a small percentage of DOD's budget—.00006%, according to military expert Edward N. Luttwak.

Congress

The Defense Department cannot spend a cent without congressional approval. How wisely does Congress appropriate funds, and how well does it perform its oversight function? Congress has played an increasingly active role in the defense-budget process, giving the public a more direct voice in choosing between defense and other priorities. Congressional concern over Soviet activities in 1979 forced Carter to speed up growth in defense spending; congressional concern about the Federal deficit in recent years has forced Reagan to slow it.

But Defense Department officials complain that Congress engages in the "micromanagement" of programs that is properly the role of the executive branch. These critics assert that congressmen and their staffers generally do not have the expertise to qualify them for this kind of meddling, which only slows the process and increases costs. The Pentagon is forced to provide masses of paperwork to justify every aspect of a program—20,000 pages for the FY 1986 request. "It couldn't happen in industry because you couldn't tolerate it," says Donald A. Hicks, undersecretary of defense for research and engineering. "You can't manage things that way. In government it seems to be the norm. . . . Call it something else, but it's really anarchy."

Congress focuses on the details, say the critics, at the expense of any discussion of the strategy the weapons are supposed to serve. For example, House Armed Services Committee Chairman Les Aspin (D-Wis.) says that "the Pentagon announced it wanted a 600-ship Navy and sent up a succession of budgets consistent with that. But as far as I know, we never gave 15 minutes of debate to the subject of a 600-ship Navy."

Others claim that Congress has shirked its responsibility for deciding how to allocate resources between defense and other priorities and among competing defense needs. Having authorized almost everything that was asked for in the early years of the Reagan Administration, Congress now faces tough choices when it must make cuts in the defense budget. Eliminating funds for a major program once started is almost impossible for congressmen whose constituents depend on the jobs those programs provide, and closing redundant military bases is similarly diffi-

cult. When faced with the necessity of making cuts, Congress, like the Pentagon, usually resorts to trimming readiness or to stretching out production schedules.

Defense or deficit reduction?

"I'd like to see more [money for defense], but in the near term, the threat posed by communism is outweighed by the threat of a serious economic downturn in this country if deficits continue to rise."

—John Warner,
former Secretary of the Navy

"If a cut is made in the defense budget, it is going to weaken, not improve, the system, and it is going to result from, or at least be justified by, misinformation about the relation of defense to the budget and to the economy."

—Herbert Stein,
former chairman,
Council of Economic Advisers

Should the U.S. lower defense spending as part of the deficit-reduction effort? Can it do so without harming U.S. security? Some choices for debate follow.

■ 1. Continue to increase the defense budget. Reagan has warned that the gains of his Administration's defense program are "threatened by those who would quit before the job is done." The challenge posed by the Soviet Union with its immense military power remains the number one threat to U.S. security, and the American people must not waver in their willingness to meet that challenge. If reducing the Federal deficit is a priority, reductions must come from nondefense areas—domestic programs which, in Weinberger's words, "exist because of our freedom," and not defense programs, which exist to ensure it.

■ 2. Hold defense spending to current levels. The Committee for National Security, a Washington-based group that promotes debate on national security, for example, has devised an alternative to the Administration's five-year defense program which allows for just enough growth in defense budgets to compensate for inflation. And it recommends canceling some programs to make sure that adequate funding continues to be available for readiness.

Setting constraints on defense spending, in this view, will force DOD to set priorities among competing defense requirements, to cut costs and eliminate waste. "As long as Defense has more money than it knows what to do with," says Stubbing, "then it doesn't have much incentive to spend it well."

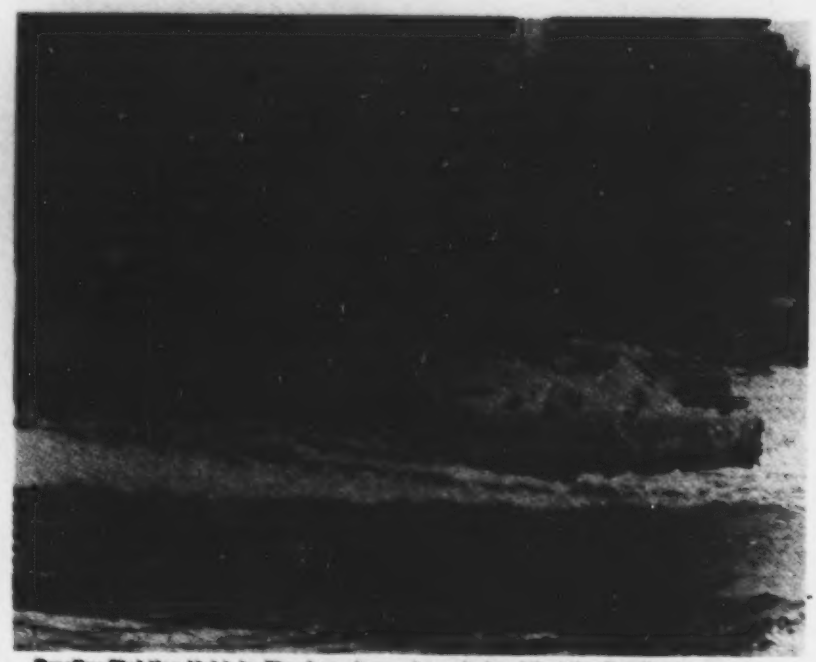
■ 3. Cut the defense budget. Former OMB director David Stockman has called the DOD budget "a swamp of 10 to 20 to 30 billion dollars' worth of waste that can be ferreted out" without harming U.S. security. Lester Brown, president of the Worldwatch Institute, believes that "global geopolitics are being reshaped in a way that defines security more in economic than in traditional military terms." Brown thinks that the U.S.' emphasis on military spending is undermining its economy and threatening its position of leadership in the world.

■ 4. Go back to basics. "Our current military strategy," says Senator Nunn, "has little relationship to our present capability or to foreseeable resources." Several congressmen have sponsored a "national strategy act" which would require the President to submit an annual report on U.S. security goals, policies and requirements. If the U.S. cannot afford the strategy it has chosen under Reagan, it should develop a new one. Some say the U.S. should scale down its military commitments, which Luttwak has described as deployments left over from earlier crises "that may no longer yield any tangible benefits to us, but whose removal might embolden enemies and dishearten allies. . . ." Alternatively, the U.S. may have to learn to live with a higher degree of risk in its national security policy if it can no longer afford measures to keep it at current "acceptable" levels.

★ ★ ★

As the debate over defense and the deficit heats up, the Reagan Administration remains committed to the lowest-risk defense possible, and Congress remains committed to reducing the funding to pay for that defense.

Opinion Ballot ▶ p. 89



Bradley Fighting Vehicle. ***The Army has acknowledged that the Bradley has sunk on occasion while crossing streams.***

I AM OPPOSED TO THE B-1 BOMBER.
BECAUSE IT IS AN UNPROVEN WEAPONS SYSTEM THAT WILL BE MUCH TOO EXPENSIVE.
"BECAUSE IT WON'T BE BUILT IN MY STATE."

MacNelly. Reprinted by permission: Tribune Media Services, Inc.

For Discussion

1. The U.S. Constitution makes the President (with the assistance of advisers in the executive branch) commander in chief of the Army and Navy and charges Congress with providing funds for the common defense. Congressional representatives and members of the Administration disagree over how much oversight Congress should have of defense programs. Should the executive have more latitude—or less—in setting defense priorities and programs? Should Congress increase or relax its oversight role?

2. How do you think defense-funding levels should be determined? Should the U.S. first decide what it needs and then go about raising the money, or first decide what it can afford to spend and divide that amount among competing priorities?

3. In allocating funds for defense, what weight would you give to the following considerations: the estimated military threat, the country's social needs, and the overall health of the nation's economy?

4. How would you personally prefer to see the country pay for defense: by raising taxes, reducing other budget expenditures or increasing the budget deficit?

5. Compare the status of U.S. security in 1987 with the status of the country's security at the beginning of the Reagan Administration. In what ways is the U.S. more secure? less secure?

6. How would you assess the Soviet military challenge to the U.S. in 1987 compared with 1981? How has the U.S.-Soviet military balance changed in that period?

7. The U.S. relies on its technological ingenuity with weaponry to compensate for Soviet numerical superiority. What are the advantages of this approach? What dangers do you see in it?

8. What are some of the funding problems inherent in rapid modernization and expansion of U.S. military forces? Why is such a modernization program politically so difficult to slow down?

9. Where would you most like to see cuts made in the President's defense budget request? Where are they most likely to be made? Why? What are some of the possible consequences of the cuts you suggest? Are these the only choices the U.S. has to reduce the Federal deficit?

Suggested Readings

Armstrong, Scott, and Grier, Peter, "Strategic Defense Initiative: Splendid Defense or Pipe Dream?" **Headline Series** No. 275. New York, Foreign Policy Association, September/October 1985. 64 pp. $4.00. Pros and cons of strategic defense.

"Billions for Defense: The Spending Debate." **The New York Times**, May 14-18, 1985. Five articles assess the Reagan buildup.

"The 'Decade of Neglect' Controversy." **International Security**, Fall 1985, pp. 3-83. Four defense experts present conflicting views on the state of the pre-Reagan military balance.

Defense and the Deficit. The Committee on the Present Danger, 905 16th St., N.W., Suite 207, Washington, D.C. 20006, 1985. 9 pp. Free. Based on a paper by Herbert Stein arguing against cutting defense spending as a way of reducing the deficit.

"Forum: What Are the Consequences of Vietnam?" **Harper's**, April 1985, pp. 35-46. Discussion of the post-Vietnam U.S. role in world affairs.

Lynn, William J., and Posen, Barry R., "The Case for JCS Reform." **International Security**, Winter 1985/86, pp. 69-97. Both authors participated in the Defense Organization Project at Georgetown's Center for Strategic and International Studies and present their own views of the weaknesses in the current military command structure.

Rovner, Mark, **Defense Dollars and Sense: A Common Cause Guide to the Defense Budget Process**. Common Cause, 2030 M St., N.W., Washington, D.C. 20036, 1983. 90 pp. $4.50. Clear explanation of how the process is supposed to work and where the system breaks down.

Stubbing, Richard, "The Defense Program: Buildup or Binge?" **Foreign Affairs**, Spring 1985, pp. 848-72. Former Office of Management and Budget national security expert questions the wisdom of the magnitude and priorities of the Reagan buildup.

Weinberger, Caspar W., "U.S. Defense Strategy." **Foreign Affairs**, Spring 1986, pp. 675-97. Secretary of defense sets forth basic U.S. strategy and discusses the Reagan Administration's modifications, including strategic defense and restrictions on the use of force.

For further in-depth reading, write for the GREAT DECISIONS *'87 Bibliography (see page 2).*

ILLUSTRATION CREDITS: p. 15, Rob Schoenbaum; p. 19, William W. Irwin; p. 23, U.S. Army. Charts on pp. 15 and 17 by Robert Mansfield.

3 Egypt and the United States

Uneasy Relations

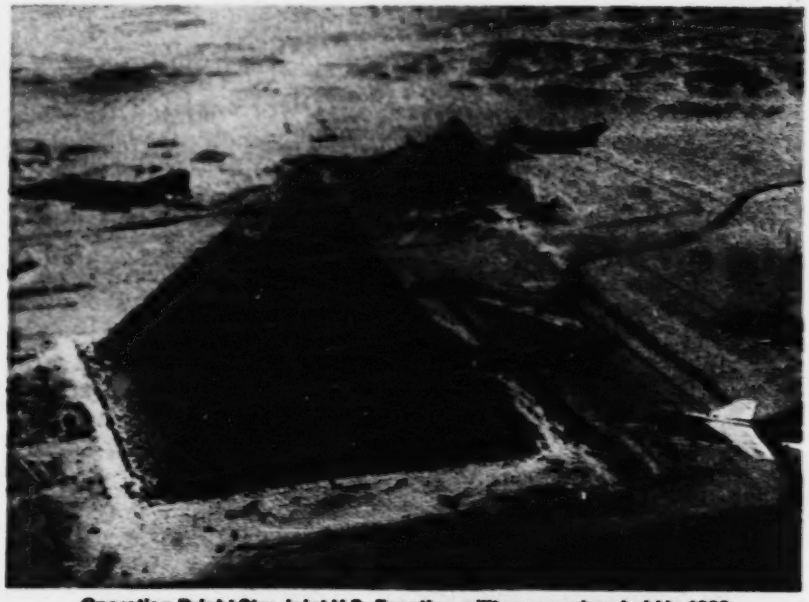
EGYPT, THE MOST populous and perhaps most influential Arab state, has cooperated closely with the U.S. for more than a decade. It was President Hosni Mubarak's predecessor, Anwar al-Sadat, who oriented his country toward the West following the 1973 Arab-Israeli war. For making peace with—and becoming the only Arab state to recognize—Israel, Egypt incurred the enmity of its Arab neighbors. Egypt was rewarded with a sizable U.S. program of economic and military aid. Since 1974 U.S. aid to Egypt has amounted to $20 billion.

The U.S. has relied on Egypt, strategically located at the juncture of Africa and Asia, as a stabilizing force in the Middle East. There are growing concerns, however, about Egypt's own stability. Many ask whether worsening problems such as a critical housing shortage, underemployment and rising prices will lead to a political explosion. The rapidly growing population, now over 50 million and increasing at the rate of 1 million every nine months, is largely poor (per capita gross national product: $700). Cairo, the capital, is an urban nightmare with a population of 14 million struggling to live with an infrastructure built for 3 million.

No solutions to the country's economic problems are in sight. Egypt recently suffered a sharp drop in foreign exchange, and the foreign debt stands at a huge $38 billion.

Periodic outbursts of social and political unrest have raised questions about the staying power of the government. Islamic militants, who assassinated Sadat in October 1981 and oppose the Mubarak government for not embracing Islamic law, have large and growing followings in the universities and poor urban areas. In October 1985 violent clashes broke out near Cairo University between riot police and Egyptian students chanting anti-American slogans. The students accused Mubarak of being subservient to the U.S. and demanded that he break diplomatic relations. And in February 1986, the government's own security police rioted because of low pay.

The U.S. has provided aid and advice but has long been impatient with Egypt's reluctance to make needed economic reforms. Some critics (but not the U.S. government) have accused Egypt of abandoning the "spirit of Camp David" and settling for a "cold peace" with Israel. They are concerned that Egypt gives higher priority to ending its isolation in the Arab world than to furthering the Arab-Israeli peace process. This process—the attempt to bring a permanent peace to the Middle East—remains an objective of U.S. diplomacy. By recently agreeing to settle a border dispute with Israel over Taba, a small piece of land in the Sinai peninsula, Egypt has moved the process one step further.



Operation Bright Star, joint U.S.-Egyptian military exercises held in 1983

Can Mubarak quiet domestic unrest? What if he fails? Will Egypt continue to promote the peace process? What is the proper role for the U.S.? Should further aid be conditioned on Egypt's efforts to reform its economy, or on improving its relations with Israel?

Egypt since the revolution

Egypt has existed as a unified state for 5,000 years. However, from the days of the pharaohs until the middle of the 20th century it was ruled by outsiders, most recently the Ottoman Turks and the British. It was not ruled by a native Egyptian until the revolution of July 22, 1952, in which a group of military officers, led by Col. Gamal Abdel Nasser, overthrew the monarch, King Farouk, and declared Egypt a republic.

A virtual British protectorate since 1882, Egypt had been granted nominal independence in 1922 but Britain remained the power behind the throne. The revolution came on the heels of mounting unrest directed at the sovereign. He and the other main political forces in Egypt—the secular Wafd party, which led the campaign for independence, and the Muslim Brotherhood, whose slogan was "the Koran is our constitution"—seemed incapable of guiding the country. The vast majority of Egyptians were poor and illiterate; 44% of the rural families were landless. No more than 1% of the landowners owned 72% of the agricultural land. Egypt, along with other Arab states, had been defeated by Israel in the 1948 war.

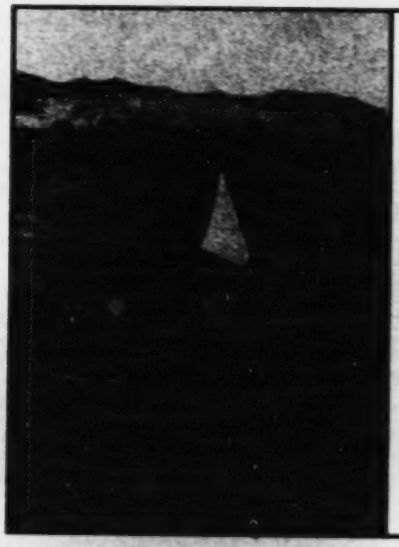
On January 26, 1952, anti-British mobs burned much of downtown Cairo. This act led directly to the *coup d'état* by the army, which hitherto had supported

the monarchy, and marked the end of an era in Egypt.

The "Free Officers" (as the conspirators called themselves) sought to remove the king and throw off British control. They also wanted to invigorate the economy and help reduce the glaring inequities between rich and poor. In addition, the officers wanted to strengthen the army to safeguard Egypt's independence.

Revolution from above

During his presidency (1956-70), Nasser, a secular nationalist, attempted to transform the country along socialist lines. He had the support of the military, and his policies were carried out by a huge state bureaucracy. He suppressed political parties and discarded the 1923 constitution. He cracked down harshly on the Muslim Brotherhood, which, as the largest organized political force, was a threat to his regime.



The gift of the Nile: Without the Nile, the longest river in the world, Egypt would be a wasteland. More than half the population is rural; 95% of the people live on less than 5% of the land. In 1952, Egypt's population was 21 million; in 1986, 50 million. Photo at left shows felouccas, or sailboats, on the Nile near Aswan.

Authoritarian rule was not new to Egypt. For centuries the government in Cairo had played a major role in the affairs of the country—including regulating the distribution of the annual Nile flood waters, which were vital for agriculture. Because the river permitted good communication between Cairo and the countryside, Egypt was always considered an easy state to rule, in contrast to other countries such as Iran where geographical barriers inhibited the emergence of a strong central power.

It was on the international stage that Nasser played his major role. In the Arab world he promoted socialism, pan-Arabism and nonalignment with the U.S., the Soviet Union and their allies. His stature soared after he participated in the Bandung Conference of nonaligned nations in April 1955. In 1956 Nasser nationalized the Suez Canal, which controlled Europe's access to the Persian Gulf and the Indian Ocean. This outraged the British and French, who were the canal's main users. In response they, along with Israel, launched an invasion of the Sinai peninsula. The U.S. and the Soviet Union demanded that the troops withdraw, which they reluctantly did. This victory was Nasser's greatest triumph, and signaled the end of routine military intervention in the Middle East by imperial powers.

Nasser's fortunes were reversed in the Six-Day War in June 1967. He had provoked Israel by blocking the Strait of Tiran at the entrance to the Gulf of Aqaba, used by Israeli shipping, and by requiring the UN Emergency Force to leave Sinai, where it had been since 1956. Israel responded by launching a preemptive strike against Egypt. Syria and Jordan entered the war on Egypt's side, but the three did badly in the fighting and were forced to accept a cease-fire.

Defeat was a disaster for Egypt and the Arab world. Jordan lost the West Bank and East Jerusalem; Syria, the Golan Heights; and Egypt, Sinai and the Gaza Strip. Nasser died three years later, a humbled figure yet still a hero to many Egyptians.

In the wake of war, there was profound soul-searching among Egyptians and their fellow Arabs. Some 4 million Palestinians, including 2 million refugees uprooted since Israel's war of independence, concluded that they could not rely on Arab states to gain a homeland. In the early 1970s, frustration increasingly gave way to violence as some Palestinians carried out violent acts to publicize their cause. Whereas the generation of Nasser tended to engage in long discussions of ideology, "in the decade or so that followed the Six-Day War, words were replaced with bullets," according to political scientist Fouad Ajami.

Controlled liberalization

Whereas Nasser was a hero and a tragic figure, Sadat, his vice-president and successor, was an enigma whose "electric-shock diplomacy" (his term) jolted the Middle East. The first shock came in July 1972, when Sadat expelled thousands of Soviet military advisers, ending almost two decades of Egyptian-Soviet cooperation.

Sadat broke the stalemate with Israel over the return of territories by joining Syria in a surprise attack in October 1973. The U.S. at first did not intervene, then sent a massive airlift of arms to Israel. The Israelis were gaining the upper hand in the fighting when the superpowers imposed a cease-fire. The Egyptian army, although not victorious, performed creditably and Egypt regained much of its self-respect. Sadat established himself as a leader in his own right.

Sadat's growing ties with the U.S. led to a number of diplomatic triumphs, notably his trip to Jerusalem in November 1977, the Camp David accords of September 1978, and the March 1979 peace treaty with Israel.

Unlike Nasser, Sadat tolerated some dissent. Nasser had permitted only one state-sponsored political movement, called the Arab Socialist Union (ASU), which was used to mobilize people in support of government policy. Sadat permitted three "platforms" or political groupings to emerge from the ASU. These groups contested the October 1976 parliamentary elections, the first real contest in almost 25 years. After the election, Sadat abolished the ASU and allowed the formation of political parties.

In order to counter opposition from secular leftists of the Nasser mold, Sadat, a practicing Muslim himself, encouraged political activity by Islamic groups. He tolerated the revival of the Muslim Brotherhood in 1975. This policy backfired, however, as an Islamic resurgence with antigovernment overtones spread rapidly on the campuses and in private mosques not supported by the government. A crackdown in August 1981 came too late; religious extremists assassinated Sadat that October.

At the time of his death Sadat was popular abroad and had won the Nobel Peace Prize. However, in his own country his popularity had ebbed because of his unpredictability, his economic policies which benefited few and fostered corruption, and his close ties with the U.S. Observers contrasted the dramatic outpouring of grief at Nasser's funeral to the relative indifference shown at Sadat's passing.

Growing discontent

Mubarak is very different from his two flamboyant predecessors, but he has inherited all the problems they helped create. An air force officer who distinguished himself in the October war, Mubarak was little involved in politics until he was appointed Sadat's vice-president at the age of 47 in 1975. He is "a professional soldier who plays well a political game he fundamentally dislikes," in the words of John Waterbury of Princeton University. Mubarak's priority, like that of Nasser and Sadat before him, is to ensure his political survival.

After assuming office in October 1981, Mubarak moved to defuse the domestic tensions that had been building. He released most political prisoners and, by allowing a broader range of political expression, hopes to diminish the appeal of Islamic groups.

The parliamentary elections of May 1984 were the freest since the revolution, although critics accused the government of fixing the results by designing election laws to favor the National Democratic party (NDP). The NDP, identified with the regime, won 73% of the vote; the New Wafd, successor to the secular Wafd party, won 15%.

The government's support came mainly from the countryside and the most affluent urban districts; the opposition scored in the cities and provincial capitals. Parties based on class or religion are illegal, and therefore Communist and Muslim fundamentalist candidates ran under the banner of other parties. The Muslim Brotherhood allied itself with the New Wafd for this election. Nasserists, who emphasize Egyptian nationalism, secularism and socialism, and reject the Camp David accords, have applied to form their own political party.

The economy

The economy is one of Mubarak's biggest headaches, and an area in which his predecessors' policies have left him little freedom of action. To put Egypt on its feet after the revolution, Nasser favored state ownership at the expense of private interests. He nationalized most foreign enterprises, created a bloated bureaucracy and kept salaries low. Agriculture was deemphasized in favor of industrialization.

Luxury hotels in Giza set on fire by rioting police

Nasser sought above all to avoid dependence on other countries. Despite this, after the disastrous 1967 war the government made a basic decision to maintain levels of consumption which it could no longer afford, and it relied increasingly on foreign aid to make up the shortfall. By the early 1970s, agricultural growth had slowed to 2% a year while demand for food soared. Instead of providing incentives to increase production, the government imported large amounts of food, especially wheat and meat.

The country's dependency grew greatly under Sadat. After the 1973 war, he promoted a new economic policy called *infitah*, or "open door," which sought to attract foreign investment and deemphasize the role of the public sector. However, infitah became the object of much controversy as it tended to enrich a new class of importers and consultants while doing nothing for the masses. The disparities in wealth far exceeded those that had existed under Nasser.

The rude awakening

During the "fat years" of 1975-85 Egypt experienced impressive economic growth. Its foreign exchange receipts rose rapidly, from $2 billion in 1974 to over $16 billion in 1984. However, there was little real development. The foreign income came from oil sales, Suez Canal tolls, remittances from expatriate workers in the Persian Gulf and Libya, tourism and foreign aid.

By 1986, there were sharp declines in these outside sources of income. As a result of a glut in oil supplies, prices plummeted and oil-producing countries sent their Egyptian workers home. Tourists, afraid of terrorism, practically stopped coming. Foreign creditors urged Egypt to cut subsidies, reduce the budget, devalue the Egyptian pound and streamline the bureaucracy.

Mubarak has not abandoned infitah, but he wants to shift the emphasis away from luxury imports, banking and real estate speculation to more-productive activities, such as manufacturing and agricultural output. So far, the government has not implemented real reforms. Steps taken in the spring of 1986 were likened by one Cairo editor to "taking an aspirin to relieve cancer."

One third of the work force is employed by the government. Their salaries are so low (an elementary school teacher makes about $40 a month) that it would be political suicide for the government to remove subsidies on essentials. (In Egypt one can buy bread for 2¢, ride a bus for 5¢, and buy gas for 75¢ a gallon.) The last time the government raised prices, in January 1977, there were riots throughout the country. Recently the government has nudged prices up slightly for bread, gas and electricity, but not enough to make a real difference in reducing subsidies.

In what was regarded as the most serious challenge to the Mubarak government to date, elements of its own Central Security Forces—illiterate conscripts paid about $8 a month—rioted in February 1986, burning five luxury hotels and 20 casinos to the ground. The

explosion was attributed to economic grievances, but many regarded it as symptomatic of building social tensions. The opposition newspaper *Al-Ahali* warned that next time, "the Nile will flow with blood instead of water."

Religious extremism

One source of tension is growing religious ferment among Egypt's Muslims, who make up 90% of the population.

Since the 19th century, the government in Cairo has exerted a strong secularizing influence, especially in law and education. This has presented a serious challenge to traditional Muslim culture. Bureaucrats have increasingly taken over what had been the duties of the *ulama*, or Muslim clerics, whom they regarded as one of the reasons for the country's backwardness.

The breakup of the Ottoman Empire into nation-states after World War I marked the ascendancy of a new political idea—that of nationalism. Previously, a person was primarily identified with the religious community he or she was part of. Nationalism, a secular concept, made allegiance to the state more important than allegiance to one's religion.

The course of secularization in Egypt, however, was never complete. Under the surface, the first loyalty of many remained to Islam. This was particularly evident in times of crisis. It helps account for the rise of religious protest movements, such as the Muslim Brotherhood, between the two world wars, and the resurgence of religious commitment after the shock of defeat in 1967. Many Egyptians attributed their country's failure in war to its half-hearted adherence to Islam.

The Islamic revival in Egypt is part of the religious resurgence that has been taking place in many Muslim countries since the 1970s. (The West has come to associate the resurgence with violence after the revolution in Iran and the assassination of Sadat.)

Many Muslims believe that Western ideologies have failed them, and they have turned to Islam. Islam had produced a glorious civilization in the past and they believe it could again if properly followed. The majority who return to the fundamentals of Islam (often called fundamentalists) do not want change to come through violent means. Their aim is to persuade the state to replace secular civil law with Islamic law—although there is no consensus as to how the medieval code should be applied in modern times.

Overflow crowd of Muslims prays outside a Cairo mosque

In Egypt, groups that operate openly, such as the Muslim Brotherhood and Islamic student associations, have gained followers because they look after their members' welfare. Alongside these groups has sprung up a far smaller number of secret groups of Islamic militants.

Sociologists who have studied the Islamic militants describe them as, for the most part, young people who have recently moved from rural areas to large cities. They have lost their communal ties and are affronted by sexual freedom and ostentatious displays of wealth. They respond by returning to their religious roots. Radical groups such as Al-Jihad, which was responsible for Sadat's assassination, are organized in small cells around a dominant personality. Their members are usually white-collar workers and their knowledge of Islam is often sketchy or faulty. Many display their piety by adopting the Islamic garb now common on Egyptian campuses—beards for men, and long, enveloping garments for women.

The religious revival among Muslims has its counterpart among Coptic Christians, who belong to an indigenous church dating back to before the Muslim conquest. Copts, who make up perhaps 10% of the population, are fearful of being discriminated against by a government that constantly announces its allegiance to Islam. They are also angered at the government's limitations on the building of new churches. Their election in 1971 of a new, more activist leader, Pope Shenuda III, led to increased militancy and communal clashes.

Many have noted that religious extremism is contrary to Egyptian values, which have often been modernist in outlook and have tended to the political center. It is significant that since the assassination of Sadat there have been no dramatic attacks on the state by militants. According to a recent study by political scientist Gilles Kepel, the militant groups are less powerful today than under Sadat, and they do not represent a movement with mass appeal.

The mood in Egypt

There is no question that social and economic tensions are rising in Egypt. To what extent do the people blame Mubarak for their troubles? An Egyptian writer who recently returned home to assess the situation concluded that Egyptians do not harbor antipathy to Mubarak personally—he is perceived as honest and unassuming, if dull—but direct their anger toward outsiders, namely Israel and the U.S. Some Egyptian critics believe that Mubarak will have to distance himself from America if he is going to survive politically.

A major question is whether the army will continue to back the president. The army is an essential bulwark of the regime, as was demonstrated when it put down the rioting security troops. The government's greatest fear is that Islamic fundamentalism will make inroads in the army. Defense Minister Abdel-Halim Abu Ghazala, popular in Washington where he served as Egypt's defense attaché from 1976 to 1980 and generally considered the second most powerful figure in Cairo, has supported Mubarak. However, there may be other ambitious officers waiting in the wings. Mubarak's presidential term runs out in October 1987.

Egypt and its neighbors

EGYPT, WITH ITS large and talented population, has always played a central role in the Middle East. Egyptians have a keen sense of their country's importance, and they blame outsiders for preventing it from achieving greatness. For decades Britain was the principal culprit: by keeping Egypt in a state of economic and psychological dependency, it held the country back from modernizing. Once free from the rule of Britain, Egypt formulated its own foreign policy.

In the 1950s and 1960s under Nasser, Egypt favored pan-Arabism and nonalignment in its foreign relations. Egypt refused to join the now-defunct Baghdad Pact, an anti-Communist alliance of Iraq, Turkey, Iran and Pakistan, set up by Britain in 1955 and endorsed by the U.S. Nasser felt that the pact was a threat to Egypt's regional primacy, and in 1958 he joined with Syria to form a counterweight to the pact, the United Arab Republic. However, the two political systems were incompatible, and the union broke up in 1961.

Both Nasser and Sadat put their personal stamp on Egyptian foreign policy and did more or less as they pleased. They tolerated no real opposition. Nasser made a deal with the Soviet Union to help build the Aswan High Dam, and Sadat broke with the Soviets and moved closer to the U.S.

Why did Sadat do so? Economic factors are often the deciding ones in Egyptian foreign policy. Sadat saw the possibility of receiving large amounts of Western aid and had come to regard the Soviets as unreliable and Soviet-bloc products and technology as inferior. He determined to take advantage of East-West *détente* when both superpowers seemed prepared to relax tensions in the Middle East. He also believed that U.S. mediation was essential to a peace settlement with Israel.

Sadat had public support for his peace talks with Israel. The public expected, however, that they would soon see an improvement in economic conditions. Egyptians had long borne the burden of confronting Israel on behalf of other Arabs, and felt it was time to devote their resources to their own development. Many of the other Arab states were now getting rich thanks to higher oil prices, yet they were stingy in their aid to Egypt.

At the Camp David summit of September 1978, President Jimmy Carter persuaded Sadat and Prime Minister Menachem Begin of Israel to agree to make peace along the lines of United Nations Security Council Resolution 242: in return for peace and security, Israel would give up territories it had seized in the 1967 war. Two agreements were signed. One provided for Israeli withdrawal from Sinai and an Egypt-Israel peace treaty; the other was a "framework" for Palestinian autonomy in the West Bank and the Gaza Strip which would resolve their future political status through negotiations.

The Camp David accords did not resolve the future of the Palestinians. Because of this and Egypt's recognition of Israel, Egypt was ostracized by almost the entire Arab world. With the exception of the Sudan, Somalia and Oman, the Arab nations broke diplomatic ties. The Arab League, an organization composed of all Arab states and the Palestine Liberation Organization (PLO), which promotes strength through unity, suspended Egypt's membership in 1979. (Egypt has not yet been readmitted.)

The peace process that was heralded with so much fanfare in the late 1970s seemed almost a misnomer by the mid-1980s. The key achievement at Camp David—peace between Egypt and Israel—has held. Israel returned the Sinai peninsula, as scheduled, in April 1982. But Egypt withdrew its ambassador that September to protest Israel's invasion of Lebanon and its role in the Sabra and Shatila massacres. Egypt had three major demands of Israel: settlement of the border dispute at Taba, the improvement of conditions for Palestinians living in the West Bank and the Gaza Strip, and Israel's withdrawal of all its forces from Lebanon.

For Egyptians, the Taba issue became a symbolic demonstration of Israeli intransigence and refusal to vacate Sinai; for Israelis, the Taba dispute was seen as an Egyptian excuse to keep relations cool. U.S. and Israeli critics also complained that Egypt was trying to avoid its responsibilities under the Camp David accords to promote trade and tourism. There are few Egyptian tourists in Israel, but many Israelis visit

Egyptian President Hosni Mubarak (L) and Israeli Prime Minister Shimon Peres during their September 1986 meeting in the presidential palace in Alexandria

Egypt. Egypt sells Israel $400 million worth of oil annually, but buys fewer Israeli products than it might.

After extensive negotiations, the two countries agreed in September 1986 to submit the Taba dispute to binding arbitration. A meeting between Israeli Prime Minister Shimon Peres and Mubarak followed at Alexandria, Egypt. Egypt agreed to return its ambassador to Israel, and the two countries declared that 1987 would be "a year of negotiations for peace." While the summit improved the atmosphere, it did not resolve their basic differences over the Palestinians.

Reconciliation

Mubarak is caught in a dilemma: in order to gain the respect of Arab leaders and restore what Egypt views as its rightful position in the Arab world, he needs to slow down the peace process with Israel and champion the Palestinian cause—policies that will offend the U.S., Egypt's largest benefactor.

Egypt's relations with a number of Arab states have been slowly improving since Mubarak came to power. Jordan's King Hussein restored diplomatic ties in 1984. President Saddam Hussein of Iraq (where many Egyptians work and which Egypt supports in its war with Iran) may follow suit.

Saudi Arabia, regarded as a moderate Arab state, generously funded Egyptian development in the past. Egypt has pledged to support Saudi Arabia in any confrontation with Iran in the Gulf war. The Saudis quietly assisted Egypt's return to the Islamic Conference Organization in January 1984. (The Islamic Conference, founded in 1969, is an organization of most Islamic countries, not only Arab states, that promotes solidarity and cooperation.) The cautious nature of Saudi diplomacy, however, suggests that full bilateral ties will not be restored until there is an Arab consensus to do so.

Egypt supports Palestinian demands for a homeland on the West Bank, and has unsuccessfully pressed the U.S. to include the chairman of the PLO, Yasir Arafat, in the peace process. The *Egyptian Gazette* said in an editorial in July 1986, "If the U.S. is really interested in promoting Middle East peace it should come to grips with the essentials. They are . . . Israeli withdrawal from all Arab land and talks with the PLO on withdrawal from the West Bank and Gaza Strip."

Egypt helped broker a Jordanian-Palestinian accord of February 11, 1985, which many hoped would entice Israel into negotiations. Due to Arafat's inability to win over other PLO elements, the accord collapsed the following year.

Egypt remains on poor terms with two other neighbors, Syria and Libya. Syria's President Hafez al-Assad, a vocal opponent of the Camp David accords, accused Sadat of selling out the Palestinians and Syria by making a separate peace. Assad is the Soviets' closest ally in the region.

Libya, another Soviet ally, was on friendly terms with Egypt until the 1973 war. Relations went downhill afterward as Egypt developed close ties to America. Libyan leader Muammar al-Qaddafi believes that U.S. arms sent to Egypt are meant to be used against him. Egypt has also antagonized Qaddafi by giving refuge to his opponents. Libya is considered the greatest military threat to Egypt, although no real match for the Egyptian military.

U.S.-Egyptian roller coaster

THE U.S. GREETED the Egyptian revolution with sympathy, and for a few years (1952-55) bilateral relations were warm. Egypt received one of the largest U.S. aid programs, which had a number of purposes: to improve living standards and make the country less vulnerable to communism; to compete with the Soviets, who were also offering aid in order to gain political influence; and to help U.S. farmers dispose of their food surpluses. In the end, however, the aid program in Egypt did not bring the U.S. the hoped-for benefits. "Nowhere have the pitfalls of economic aid as a political device been more dramatically demonstrated," according to Hermann F. Eilts, professor at Boston University and former U.S. ambassador to Egypt.

The Aswan fiasco

One of Nasser's cherished goals was to build the Aswan High Dam to ensure a steady flow of water for irrigation and to provide huge amounts of hydroelectric power. Above all, it would serve as a symbol of Egypt's commitment to modernization. In December 1955 Dwight D. Eisenhower's Administration, along with the World Bank and Britain, agreed to finance the project.

There were, however, many obstacles to U.S. participation in the plan. Few congressmen wanted to fund it, especially in an election year. They were alienated by Nasser's socialism and his ties to Communist countries (he had recently concluded an arms deal with Czechoslovakia). Also, aid to Egypt was likely to reduce aid to Yugoslavia, an Administration priority. The British and French had become opposed to the project, and on

The Soviet Role

Historically, Russia had little to do with the Arab nations. Its attention mainly focused on the non-Arab states on its southern border—Turkey, Iran and Afghanistan. After World War II, however, Arab nationalists turned to the Soviets for support against the main colonial powers in the Middle East, Britain and France.

Soviet support came at a crucial moment for Egypt, after it had nationalized the Suez Canal. Soviet-Egyptian friendship flourished during the Nasser years, and was one of the success stories for Soviet foreign policy under Nikita S. Khrushchev and Leonid I. Brezhnev. Communist economic and military aid from 1955 to 1977 totaled $7 billion, about half of which went to finance the Aswan High Dam. The Soviets supported the building of heavy industry and aimed to transform Egypt from an agricultural to an industrial country. During the peak of Soviet influence, from 1969 to 1972, Soviet advisers rebuilt the Egyptian army.

Sadat in 1976 abrogated a friendship treaty with the U.S.S.R. he had signed five years earlier. The announced reasons were that the Soviets refused to reschedule debts and dragged their feet on arms deliveries. The real reason, however, was Sadat's desire to improve ties with the U.S. Also there were cultural conflicts—the Russians did not get on well with Egyptians.

The U.S.S.R. opposed the Camp David accords and resented being shut out of the peace process. In order to settle outstanding issues, it favors holding an international conference on the Middle East in which it would participate. So far the absence of Soviet diplomatic ties with Israel is a key U.S. and Israeli objection to such a conference. Peres supported the conference idea when he met with Mubarak. However, others in Israel are opposed and it is unclear what policies Yitzhak Shamir, who replaced Peres as prime minister in October 1986, will follow.

In 1986, the Soviet Union moved to warm relations with Israel, probably to give itself more leverage in a peace settlement. In the first formal talks since the Soviet Union broke ties after the 1967 war, the Soviets and Israelis in August discussed consular relations. After meeting with Soviet Foreign Minister Eduard A. Shevardnadze at the UN in September, Peres said they had agreed to consider normalizing relations.

There are indications that Egyptian-Soviet ties are also improving. Full bilateral diplomatic relations were restored in 1984. Mubarak has emphasized that Egypt is a nonaligned country, and he has toned down criticism of the Soviet Union. Should Mubarak decide to expand relations further, the main consideration may be what kind of economic sweeteners the Soviets offer, and what effect this would have on Egypt's relations with the U.S.

July 19, 1956, the U.S. withdrew the offer. The Soviet Union stepped into the breach and financed the dam, which was completed in 1970.

For the next two decades U.S. relations with Egypt were poor. "The withdrawal of the Aswan offer greatly damaged America's reputation in the developing world . . . . For years afterward, the style with which [Secretary of State John Foster] Dulles abandoned the Aswan project was cited by Third World governments as evidence of America's indifference to the psychological, as well as the material, needs of developing countries," according to expert William J. Burns.

After Aswan

After the Aswan fiasco, the Eisenhower Administration suspended its aid program to Egypt and sought to contain Nasser's influence in the Arab world. Dulles by then had given up hope of building an anti-Communist alliance of regional states led by Egypt, and focused instead on the "Northern Tier" countries, stretching from Turkey to Pakistan. However, the collapse of the Iraqi monarchy in July 1958 dealt a permanent setback to these plans.

The U.S. gradually improved its relations with Egypt by resuming food aid under the Public Law 480 program, which at the time allowed friendly but poor countries to purchase American agricultural commodities with local currencies. President John F. Kennedy's Administration signed an unprecedented three-year PL 480 agreement in October 1962.

Relations soon soured, however, as the U.S. opposed Nasser's intervention in the Yemen civil war. Relations hit rock bottom under President Lyndon B. Johnson, whose Administration was considered very pro-Israel. In November 1964, mobs protesting U.S. policy in the Congo burned the U.S. Information Service library in Cairo, and Nasser fumed that the Americans could "go and drink from the sea." The U.S. suspended even food aid in early 1965.

The tide turns

Sadat reversed almost two decades of antagonism when he expelled the Soviets and turned to the U.S. After the October 1973 war, the U.S. urged Sadat to make peace with Israel, and Secretary of State Henry A. Kissinger's "step by step" diplomacy led to the Sinai disengagement agreements of January 1974 and September 1975.

Sadat signed the Camp David accords with the expectation of receiving a substantial economic reward from the U.S.—perhaps $15 billion. He expected the aid to "perform miracles" for the Egyptian economy and more than make up for the aid other Arab states cut off. Once the treaty was signed, however, the U.S. only pledged $300 million, spread over three years, in addition to the $1 billion Egypt was then receiving annually. The U.S. also granted $1.5 billion in military aid, spread over three years. Israel received $3 billion from the U.S. after signing the accords, in part to help it defray the costs of replacing its military bases in Sinai. In the end, Sadat was bitter at Egypt's small "peace dividend," for which he risked so much.

Egypt today is the second largest U.S. aid recipient, after Israel. The U.S. extended about $2.5 billion in economic and military aid in fiscal year (FY) 1986 to Egypt, and $3.6 billion to Israel. The Administration has proposed giving Egypt about $2.3 billion in FY 1987, and Israel $3 billion.

These huge amounts of money have caused problems for both Egypt and the U.S. The basic dilemma is that the Egyptian economy cannot absorb so much aid. From FY 1975 through FY 1985, the U.S. earmarked $11 billion, but spent only $8.7 billion. The remainder was stuck in the "aid pipeline." The bottleneck was caused by excessive bureaucracy on the part of both the Agency for International Development (AID) and the Egyptian government. In 1985 the outstanding amount was substantially reduced. Israel has no such pipeline problem since it receives aid as a cash transfer, to be used basically as it pleases, instead of being linked to special projects as in Egypt.

Egypt hosts the largest AID mission in the world, which oversees all nonmilitary aid. Its programs (over 5,500 projects throughout the country) are oriented toward serving the poorest part of the population. In the 1970s, AID concentrated on repairing or replacing long-neglected infrastructure (such as the Cairo sewage and telephone systems, and power plants throughout the country), assisting public-sector industries (such as cement plants) and financing commodity imports (especially wheat). The 1980s have seen a shift of emphasis to channeling money through the private sector and providing cash transfers ($110 million in 1986) to relieve the balance-of-payments problem.

Egypt's view of aid

Many Egyptians complain that U.S. priorities for development do not match their own. They are unhappy, for example, that the U.S. has discouraged expansion of wheat production. The U.S. believes that it is impractical for Egypt to achieve self-sufficiency in wheat: it would tie up all existing arable land, and further land reclamation is too costly. It wants Egypt instead to focus on producing higher-value commodities for export, such as cotton. (Cotton has been the backbone of the rural economy since the late 19th century.)

Egyptian officials note that U.S. aid funds are largely spent at home to benefit U.S. companies and consultants. Even the food aid that is vital to Egypt also benefits American farmers by relieving them of surpluses. Egypt is obliged to pay for expensive U.S. products and high-salaried experts that it could obtain more cheaply elsewhere.

Few Egyptians know what U.S. aid has actually paid for, and many who do know charge that it has only benefited the new class that has gotten rich through the policies of infitah. In the fall of 1982, a series of articles in the popular press charged that AID was trying to permeate "the whole structure of Egyptian life."

The AID program has also come under fire in the U.S. There is even division within the government as to whether the program should continue as is, or whether it should be cut back in favor of cash grants to Egypt's government.

A major aggravation for the U.S. is that aid has done little to promote economic reform, particularly the ending of food and fuel subsidies. With aid guaranteed, there is little incentive to increase productivity in agriculture and industry, which Egypt must do if it is to achieve economic growth.

Many U.S. officials believe that there should be more to show for the money spent. AID admits that it has made mistakes in the past—but these were probably inevitable due to the size of the program and the bureaucratic bottlenecks.

'A hell of a bargain'

U.S. aid has clearly made a crucial difference to the Egyptian economy, supporters state. AID, for example, has steered needed funds into agricultural and rural development that the Egyptian government would likely have invested in the cities instead. The mission director in Cairo for AID, Frank B. Kimball, said in August 1986, "What we're trying to do is get things to a point where they don't need us. I don't think that in the long run this arrangement is good for either side."

The size of the mission has given the U.S. a high profile that critics believe should be reduced. They point out that the large number of Soviet advisers in Egypt resulted in strong anti-Soviet sentiment before the Soviet advisers were expelled in 1972. Americans should learn from this example. Also, there is concern that the large U.S. mission is a tempting terrorist target.

The Administration regards much of the criticism as misdirected. The main purpose of the AID program has been to ensure political stability in Egypt, which it has done. Justifying the Administration's 1987 request for financial aid to Egypt, Richard W. Murphy, assistant secretary for Near Eastern and South Asian Affairs, said, "A strong and stable Egypt is crucial to virtually all of our interests in the Middle East and North Africa. In addition to being a Camp David partner, Egypt is a counterweight to Libyan meddling in the Sudan, Chad and Tunisia. Our security assistance to Egypt promotes readiness and military self-sufficiency necessary for defense against Soviet-armed states in the region." As one AID official remarked, "If you can replace 50,000 American troops by a $1 billion annual investment in a ramshackle development program in Egypt, or, in other words, if you can have peace in the Middle East for $1 billion a year, that is a hell of a bargain!"

The debt burden

Since FY 1985 all military and economic assistance to Egypt, except food aid, has been in grant form. This is in recognition of Egypt's inability to repay. Debt repayments due the U.S. in 1986 amounted to $795 million—which if paid would practically nullify the effect of the $1 billion the U.S. gave in economic assistance. Of the $795 million, $554 million is due to military loans Egypt ran up at high interest rates between 1977 and 1984. The U.S. is now trying to find some formula which would permit Egypt to reschedule these military loans, although some fear it would set a precedent. Egypt is regularly in arrears in its debt payments to the U.S., but always less than one year, so as not to trigger an aid cutoff as required by the Brooke Amendment.

One solution would be to get help from the International Monetary Fund (IMF). What were described as the first serious negotiations between Egypt and the IMF took place in November 1986, with an agreement hoped for by the end of the year. However, in the past Egypt has resisted turning to the IMF since, in order to qualify, Egypt would have to take drastic measures to discipline its economy. U.S. aid, by contrast, comes with few strings attached.

Middle East policy

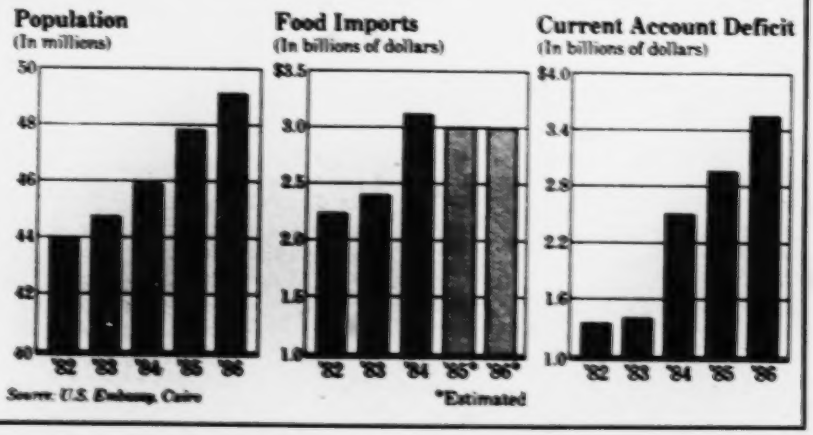
The Reagan Administration, in contrast to its predecessors, has not played a major role in the Middle East or given sustained top-level attention to the region. The reduced importance of Arab oil, the rise of terrorism and the pro-Israel views of President Ronald Reagan are cited as reasons for the Administration's reluctance to get more involved.

The Administration did take two major initiatives in its first term, neither of which bore fruit. The Reagan Plan of September 1982, which aimed to satisfy Palestinian aspirations by creating a political confederation of Jordan and the West Bank, was rejected outright by Israel and not fully accepted by Jordan. Critics fault the Administration for not following up on it. And Secretary of State George P. Shultz brokered a peace agreement between Israel and Lebanon in May 1983, which soon fell apart. This failure reportedly dissuaded him from taking any further initiatives in the region. Shultz believed that the U.S. should not seem more eager for peace than the countries in the region, which should take the lead.

The Administration nevertheless pursued the peace process on a lower diplomatic level. It was instrumental in persuading Egypt and Israel to agree to mediate their differences over Taba. The U.S. remains the only major power that has influence with both sides in the Arab-Israeli dispute.

The Administration maintains that Egypt is fulfilling its responsibilities under the Camp David accords and therefore is entitled to continue receiving sub-

Trends put pressure on Egypt's economy



stantial aid funds. By returning its ambassador to Israel and meeting with the Israeli prime minister, Egypt has demonstrated its commitment to the peace process. Egypt has also attempted to bring the various parties together—especially Arafat and King Hussein.

Egypt and the U.S. cooperate militarily. Little-publicized joint maneuvers have been held on Egyptian territory annually since 1980 (with the exception of 1982). The most recent was operation Sea Wind in August 1986 held along the Mediterranean coast. Libya and the Soviet Union object to these maneuvers, and U.S. critics have warned that by pressuring Egypt to participate the U.S. threatens to stir up an Arab nationalist backlash.

The U.S. has access to Egyptian airfields, and its nuclear-powered ships pass through the Suez Canal. Egypt will not, however, grant the U.S. base rights. The U.S. offered to modernize the military base at Ras Banas on the Red Sea in return for use of the facilities; Egypt, after initially agreeing, refused. The U.S. might like to lease the two Sinai bases Israel evacuated, but this is not politically possible for the Egyptian government.

Egypt and the U.S. have sometimes worked together to thwart terrorism, notably after Palestinians backed by Libya hijacked an Egyptair flight to Malta in November 1985. In September 1986, Egypt asked the UN to convene an international conference on terrorism. Egypt and the U.S. presumably share intelligence data on Libya, a mutual problem.

Policy dilemmas

The status of future relations between Egypt and the U.S. will likely depend on whether the two governments can get their policies in harmony on aid, the peace process, military cooperation and terrorism. Egypt retains its close ties to the U.S., but the personal bond between leaders (which was exceptionally close between Carter and Sadat) is missing. Moreover, as *The New York Times* editorialized after the police riots, "Americans can help at the margins, but Egypt's political redemption begins at home."

Increased aid would please Egypt but is not a realistic option in the budget-cutting atmosphere that prevails today in Washington. Egypt is having trouble spending the amounts already allocated. What other policy changes might the U.S. consider?

■ 1. Remove strings on aid.

Pro: Money should be given to Egypt on a cash grant basis, as in the case of Israel. Egypt should not be forced to work with an AID bureaucracy which causes resentment, stirs suspicions, and hurts local pride. The U.S. should accept Egyptian development goals, not fight them. Egypt is doing its part by following the letter, if not the spirit, of Camp David, and is entitled to the aid.

Con: Egypt should not be rewarded until it fully normalizes its relations with Israel. The Egyptian economy is very different from the Israeli one, and merely handing over cash would not be effective. The U.S. would lose control of aid disbursement and the money might be frittered away on uneconomic showcase projects or be lost to fraud. Without U.S. pressure, Egypt will never make the painful reforms necessary to get its economic house in order.

■ 2. Lighten Egypt's oppressive debt burden.

Pro: The U.S. should reduce, reschedule or forgive Egypt's debts, especially the military portion, since Egypt cannot afford to pay them and they cause needless ill will. A fallback position would be for the U.S. to guarantee new commercial loans to replace official debt.

Con: If the U.S. reduces interest rates or forgives the debt, Egypt will assume that the U.S. will always bail it out, and will not work to get its economy in shape. It would lead to similar requests by other large debtors such as Mexico. Debt rescheduling should be done on a multilateral basis after Egypt implements an IMF austerity program.

■ 3. Follow a more evenhanded foreign policy.

Pro: Anti-Americanism is now widespread in the Arab world, and the U.S. should accept Egypt's advice on how to alleviate the situation. This includes pressuring Israel to withdraw from the West Bank and Lebanon and negotiate with the PLO.

Con: The prime U.S. priority is to assure Israel's survival, and Israel is the best judge of how to deal with its Arab neighbors. The U.S. should encourage, but not force, Israel to trade land for peace and security.

* * *

Egypt and the U.S. remain deeply involved with each other, but in the eight long years since Camp David, there have been growing strains in the relationship. The future of U.S.-Egyptian ties is linked to the Egyptian leadership and the policies it pursues. The staying power of Mubarak must be of concern to America. Egypt is a friend the U.S. can ill afford to alienate. What policies can best protect U.S. interests in Egypt?

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For Discussion

1. What U.S. interests are served by American economic and military aid to Egypt? Can the U.S. count on Egypt's support for American foreign policy objectives in the Middle East? Should the U.S. insist on access to Egyptian military bases?

2. What benefits does Egypt receive from its ties to the U.S.? What are the liabilities of the American connection?

3. Egypt wishes to end its isolation in the Arab world, retain good relations with the U.S. and avoid another conflict with Israel. How can these goals be reconciled?

4. If you had to justify AID's budget request for Egypt to Congress, what reasons would you cite? For example, does the aid ensure greater political and economic stability in Egypt?

5. If you were to allocate aid to Egypt and Israel, how would you divide the funds? Would you give them equal amounts of economic aid? military aid? Would you give cash grants to Egypt?

6. Most of AID's worldwide development assistance funds are spent in the U.S. Is this in the best interest of the recipient? How does this affect Egypt's attitude toward U.S. aid?

7. What underlying causes contribute to the Islamic resurgence in Egypt? Are there any parallels between Mubarak's Egypt and Iran under the shah? What steps would be effective in weakening the influence of Islamic militants?

8. Egypt has serious economic problems, but it fears that the medicine the U.S. recommends—austerity, including a cut in subsidies—could lead to food riots or worse. What should Egypt do to put its economic house in order? What roles should the U.S. and the IMF play?

9. So far the U.S. has not taken Egypt's advice to revise its Middle East policies by recognizing the PLO and being more evenhanded. Should the U.S. be less sympathetic to Israel? adhere to its present policies?

10. Is it an infringement of Egyptian sovereignty for the U.S. to tell Egypt how to run its economy? Under the U.S. Constitution, would America tolerate interference by another government in its economic affairs?

Suggested Readings

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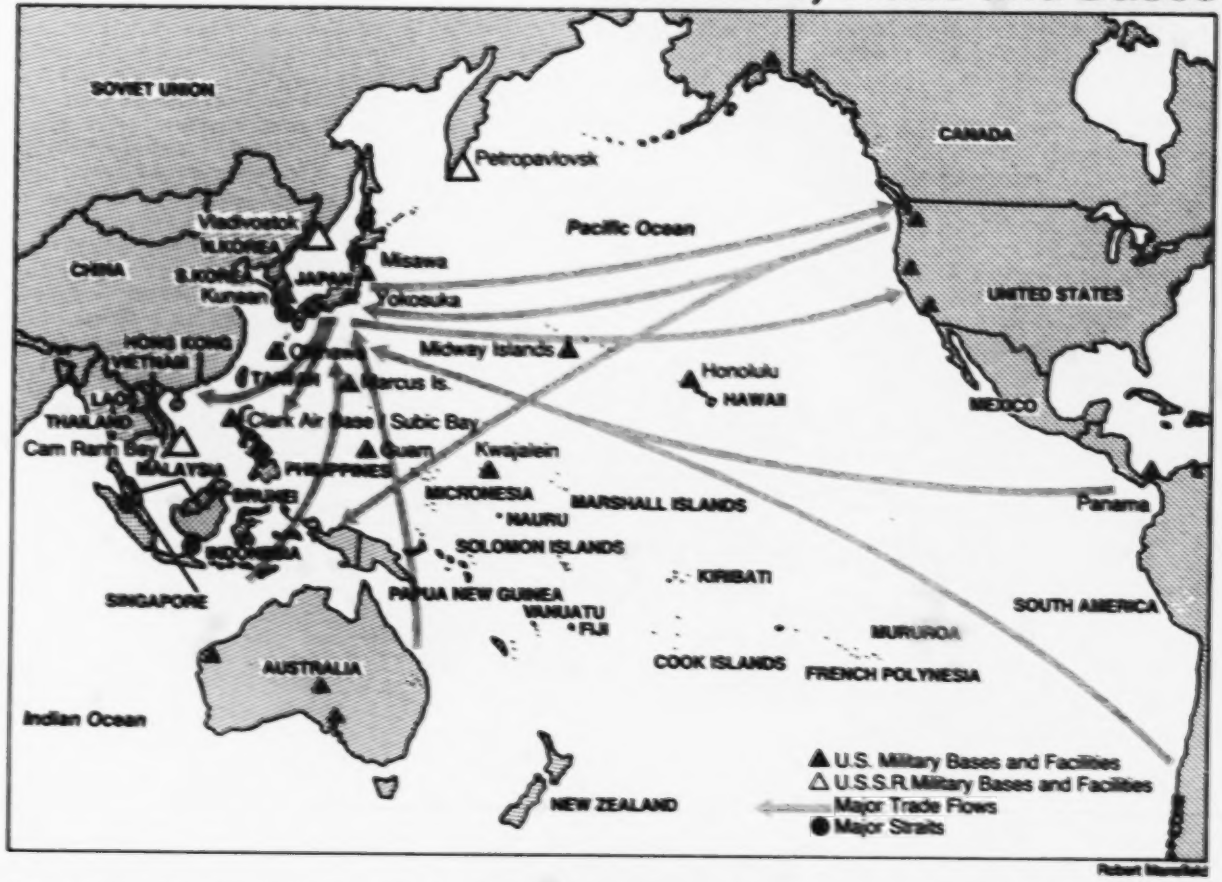
4 The Pacific Basin

Alliances, Trade and Bases



Robert Mansfield

"To understand the future, you must understand the Pacific."

—Secretary of State
George P. Shultz

SINCE WORLD WAR II, the U.S. has tended to take its predominant role in the Pacific for granted. In the past decade, however, its military and economic primacy has been increasingly challenged. The Soviet Union is in the midst of a major military buildup. With access to the former U.S. base at Cam Ranh Bay in Vietnam, the Soviets for the first time have a warm-water port on the Pacific and a counterpart to U.S. bases in the Philippines, 750 miles to the east.

The Soviet buildup has come at a time of growing U.S. concern about America's own military posture in the Pacific. Opposition to the U.S. military presence in the Philippines jeopardizes the future of U.S. bases there. These bases provide critical support to U.S. forces in the western Pacific. And New Zealand has been suspended from the longstanding security alliance linking it and Australia to the U.S.

There are also serious trade tensions between the U.S. and its allies at a time when the Pacific is of growing economic importance. From 1970 to 1985, the exchange of goods between the U.S. and the Pacific-East Asia region increased more than tenfold. The two-way trade between the region and the U.S. now surpasses that between the U.S. and Western Europe. In 1985 U.S. exports to the region totaled $53 billion and U.S. imports from the region $134 billion. U.S. investment in the region has passed $30 billion and continues to grow more rapidly there than in any other part of the world. Seven of America's top twenty trading partners are found there.

These trade partners and the U.S. have exchanged charges of protectionism. The huge trade deficit between the U.S. and Japan symbolizes to many Americans Japan's unwillingness to open further its markets to U.S. goods. (In 1985 Japan sold the U.S. $50 billion worth of goods more than it bought.) Many congressmen favor quotas and tariffs on Japanese goods. President

Ronald Reagan's Administration, believing in free trade, has resisted the pressure.

A third set of challenges facing the U.S. in the Pacific is political. The Soviet Union is on the diplomatic offensive and is trying to improve ties with major powers such as the People's Republic of China (PRC) and Japan, as well as the small island nations of the Pacific. At the same time, countries that have long been allied with the U.S., such as the Philippines, South Korea and Taiwan, are in the midst of or about to face a period of political transition. Philippine President Ferdinand E. Marcos is gone, and governments in South Korea and Taiwan are under pressure to liberalize their political institutions. Opposition groups in these countries hope to enlist the U.S. in their struggle for democracy, but the U.S. government is apprehensive about intervening. Taken together, these military, economic and political developments constitute cause for concern, not a crisis.

The Reagan Administration recognizes that the security, growth and prosperity of the U.S. are linked to its Pacific neighbors. Yet at a time when the region's importance is increasing, the U.S. has not come to grips with some problems that trouble its regional friends and allies. U.S. trade protectionism tops the list. The U.S. desire for Japan to build up its forces and its intention to have nuclear-armed warships continue to make port calls have also created friction. The U.S. has long had its back to the Pacific. It can no longer afford to do so.

Pacific Basin defined

The Pacific Ocean covers one third of the earth's surface. Its waters wash the coastline of the Americas in the east, from Alaska to Chile, and Asia in the west, from the Soviet Union and China in the north to Indonesia, Australia and New Zealand in the south. This huge area, which includes large islands making up nations such as Japan, the Philippines and Indonesia, as well as tens of thousands of islets and reefs comprising Oceania, constitutes the Pacific Basin.

Distances in the Pacific are vast: a tourist flying from Lima, Peru, to Singapore crosses a dozen time zones. When it is noon in Los Angeles, it is 4 A.M. the next day in Taipei, the capital of Taiwan. It is 10,000 miles from Panama to the Philippines. Hawaii, near the Pacific's center, is about 2,100 miles from San Francisco and 3,400 miles from Tokyo.

The countries of the Pacific Basin form one geographical region, but are diverse in size, population, culture, political orientation and economic strength. Only recently have most of them become more aware of their interdependence.

In the eastern Pacific, the U.S. and Canada have long been active in regional affairs. Although Latin America is geographically part of the Pacific Basin, traditionally it has been oriented toward North America and Europe. However, Latin American countries are showing a new interest in East Asia's markets. A Chilean commentator said recently, "Our way of seeing the geography has changed. Today the two regions are linked across the Pacific, whereas before they had their backs turned to each other."

The Pacific century

BEFORE WORLD WAR II, many Pacific countries were dominated by external powers—Indonesia by the Dutch, Indochina by the French, Malaya and Singapore by the British, the Philippines by the Americans, and Korea by the Japanese. Major U.S. involvement in Pacific affairs dates from the Spanish-American War of 1898, when the U.S. acquired the Philippines and annexed Hawaii and Guam. In 1899 it divided up Samoa with Britain and Germany.

World War II, which began for the U.S. on December 7, 1941, with the Japanese attack on Pearl Harbor, Hawaii, was a watershed event for the Pacific. Japanese forces moved into Southeast Asia and the Philippines, as well as some Pacific islands. The allies slowly pushed them back, but the U.S. suffered nearly 300,000 casualties—almost a third of its losses in the war. Some of the bitterest fighting took place in the Solomon Islands at Guadalcanal and Bougainville. The war ended after the U.S. nuclear attacks on Japan in August 1945.

U.S. forces occupied Japan, and over the next seven years forced the former enemy to accept fundamental political changes which transformed it into a democracy. The U.S. also helped to rebuild Japan's shattered economy.

The postwar world saw the rapid decolonization of Asia. Britain, which had formally granted Australia autonomy in 1942, did the same for New Zealand in 1947. Independence came to South Korea in 1945, the Philippines in 1946, Indonesia in 1949 and Malaya in 1957. Many small island groups became independent nations in the 1960s and 1970s. Others remain dependencies.

North of the equator, the U.S. is the main power. Micronesia, a Japanese mandate between World Wars I and II, was awarded to the U.S. in 1947 by the United Nations as a "strategic" trust territory. In return for promising to foster "self-government or independence as may be appropriate," the U.S. received exclusive use of the islands for its defense needs. The U.S. is in the final stages of its trusteeship.

South of the equator, France, Australia and New Zealand bear responsibility for security. Australia, a former colonial administrator, is now the South Pacific islands' largest source of aid, tourists and educational opportunities.

France continues to administer New Caledonia and French Polynesia (including Tahiti). In New Caledonia, demands for independence by native Melanesians known as Kanaks have been strongly resisted by French settlers. There is also an independence movement in Tahiti.

Containment policy

By the late 1940s the principal U.S. foreign policy goal was to contain communism—not only that of the Soviet Union, which had extended its control over Eastern Europe, but also that of China. Americans had expected China to fall into the U.S. orbit after the war, and were shocked by the victory in 1949 of the Communists in the Chinese civil war. The Nationalists, whom the U.S. supported, retreated to the offshore island of Taiwan.

The U.S. regarded China as the principal threat to Western strategic, economic and political interests in Asia. When Communist North Korea attacked South Korea in 1950, the U.S. believed that its credibility as the leader of the free world and the integrity of the UN Charter were on the line. If the U.S. did

not come to South Korea's assistance, it would not be able to protect Japan or other U.S. allies. The UN Security Council supported the American position, and authorized the mobilization of a UN force—half of which were U.S. troops. An armistice was signed in 1953.

To deter Chinese expansion and protect the sea lanes between the U.S., Europe and Asia, between 1951 and 1954 the U.S. signed a series of military pacts with Japan, the Philippines, South Korea, Taiwan, Australia and New Zealand. SEATO, the Southeast Asian Treaty Organization (made up of the U.S., Britain, France, Australia, New Zealand, the Philippines, Pakistan and Thailand) was formed in 1954.

After the Korean War, the next major flash point was Vietnam, which threw off French rule in 1954 and was partitioned into a Communist North and non-Communist South. The U.S., increasingly involved in trying to prevent a Communist takeover of South Vietnam, committed over half a million troops at the height of the conflict in 1968. The U.S. feared that if South Vietnam fell, other Southeast Asian countries would fall like dominos. South Vietnam's surrender to North Vietnamese troops in the spring of 1975 was a bitter blow to U.S. prestige. Communists took over the governments of Cambodia and Laos. No other dominos fell, however, and Southeast Asia has enjoyed a period of unprecedented prosperity.

Since the end of the Vietnam conflict, political developments in the Pacific Basin have in general favored U.S. interests. U.S. rapprochement with China, which followed President Richard M. Nixon's 1972 surprise visit and led to full relations in 1979, ended three decades of hostility. Since then the U.S. has expanded economic ties with China, and believes that China's economic development will contribute to regional stability. The U.S. is also helping China modernize its military forces, while assuring friends like Indonesia and Malaysia that such arms will not end up in the hands of their own dissident minorities.

Geopolitical profile

The political allegiances of the smaller Pacific nations today range from Communist (aligned with the Soviet Union or China), to nonaligned to pro-Western. The strongest military powers in the region are the U.S., the Soviet Union, Japan, Australia, New Zealand and France. Japan, the principal U.S. ally in East Asia and its chief competitor in world trade, is the dominant economic power in Asia. China has the largest population, over one billion, and "overseas Chinese," people of Chinese origin who have taken up permanent residence elsewhere, are among the most economically productive in the region.

Northeast Asia, dominated by the Soviet Union and China, is the area of greatest tension and potential conflict. Soviet and Chinese forces along their common border are heavily armed. The PRC and the Republic of China on Taiwan are at loggerheads, with each claiming to represent one China. The two Koreas continue in a state of armed truce, and U.S. troops remain in South Korea to help guard the border.

In Southeast Asia, the two halves of Vietnam were forcibly united by the Communist North in 1976. Vietnam, with Soviet backing, invaded Cambodia in December 1978 and overthrew the Communist regime of the murderous Pol Pot. Since then, the Cambodian government, supported by Vietnam and the Soviet Union, has been battling a Chinese-backed guerrilla insurgency. Resolving this conflict is a top priority for the U.S. and other Southeast Asian countries.

Most Southeast Asian countries belong to ASEAN, the Association of Southeast Asian Nations. Founded in 1967 to strengthen regional cohesion, ASEAN is made up of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei. Although the Philippines and Thailand have mutual security treaties with the U.S., ASEAN seeks to avoid political involvement with powers outside the region. The ASEAN countries, especially Thailand, fear Vietnam, which has the world's fifth largest army and poses a threat to the region.

Australia and New Zealand, which share a common language and cultural heritage, fought side by side with the U.S. in the Pacific against Japan in World War II. Until recently New Zealand was closely tied to the U.S. in the ANZUS security alliance; Australia still is.

Postwar economic development

Free market policies and free trade have been crucial to the economic success of the non-Communist states of East Asia (Japan, the ASEAN countries, Hong Kong, Taiwan and South Korea). The U.S. played an important role after World War II by contributing capital, technology and equipment, and buying manufactured goods, such as textiles, clothing, electronic devices and autos. An emphasis on production for export, a high savings rate, and the rapid expansion of agricultural production (aided by land reform in the case of Japan, Taiwan and South Korea) contributed to rapid growth. In some countries, a strong work ethic associated with Confucianism contributed to economic progress. The countries also benefited when tariffs were reduced or eliminated on many products under the General Agreement on Tariffs and Trade (GATT).

Japan today is the main trading partner for Indonesia, Malaysia, Singapore, Thailand and Australia; it is the second largest partner for Hong Kong, South Korea, the Philippines and Taiwan; and it is becoming a significant exporter to China. Japan imports both raw materials and manufactures, but fewer than its neighbors want to sell.

The Soviet Union has played little part in the Pacific's economic development. Because of a shortage of foreign ex-

Pacific Basin Countries

	Population (millions, mid-1986)	GNP per capita (U.S. dollars, 1984)	Average annual growth rate 1965-84 (percent)	Merchandise trade exports 1984 (billions of U.S. dollars)	Average rate of inflation 1973-84
China	1,050.0	310	4.5	24.8	1.8
Indonesia	168.4	540	4.9	21.9	17.4
Japan	121.5	10,630	4.7	170.0	4.5
Philippines	58.1	660	2.6	5.4	12.9
Thailand	52.8	860	4.2	7.4	8.2
South Korea	43.3	2,110	6.6	29.2	17.6
Taiwan	19.6	3,068	n.a.	30.1	n.a.
Australia	15.8	11,740	1.7	22.7	10.4
Malaysia	15.8	1,960	4.5	16.4	6.2
Hong Kong	5.7	6,330	6.2	28.3	9.8
New Zealand	3.3	7,730	1.4	5.5	13.6
Singapore	2.6	7,260	7.8	24.0	4.4
U.S.A.	241.0	15,390	1.7	216.0	7.4

Sources: *World Development Report 1986* (New York, Oxford University Press for The World Bank, 1986); Population Reference Bureau; *Asia 1986 Yearbook* (Far Eastern Economic Review).

change, its involvement in Pacific markets as an investor or large customer has been limited. It now hopes to gain influence through trade, although Soviet exports are largely limited to raw materials for which there is currently no strong demand.

The European Community's influence has also been slight due to trade policies that restrict the sale of Pacific goods in Europe. A significant new market for the Asian Pacific which has hardly been tapped is Latin America.

During the past decade and a half, many of the Pacific economies experienced explosive economic growth. From 1970-81, a period when the average annual growth rate of the U.S. gross domestic product (GDP) was 2.9%, that of Japan was 4.5%, the Philippines, 6.2%, and Hong Kong, 9.9%. Even during the recession in 1980-82 growth rates remained above the world average. Much of this was due to exports to the U.S. The "four little dragons" (Singapore, South Korea, Taiwan and Hong Kong) exported $42 billion worth of goods to the U.S. in 1985. At present, half of Taiwan's exports, 44% of Hong Kong's, 40% of South Korea's and 20% of Singapore's cross the Pacific to the U.S. market.

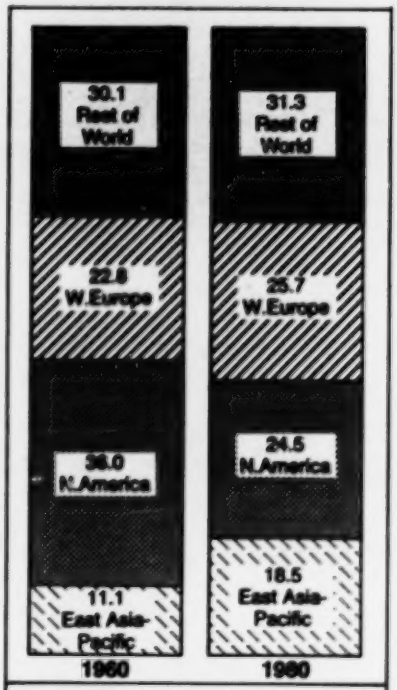
By 1986, however, growth rates in East Asia were slowing or even declining due largely to the slowdown of the U.S. economy. The challenge now is to sustain past economic success and its corollary, political stability. In 1985, the growth rate of the four little dragons skidded to 2.3%, after averaging 9% annually for the previous two decades. Now they complain of U.S. and Japanese trade barriers.

U.S. insistence on greater access to markets has caused resentment in Pacific countries, and led to charges of U.S. "bullying" in the local press. South Korea, sometimes called the Japan of the 1980s, fears a U.S. protectionist backlash like that directed at Japan. Korea's trade surplus with the U.S. is $5 billion, compared with Japan's $50 billion.

ASEAN countries have competitive, not complementary economies, and all except Singapore export raw materials. As a group, ASEAN, which constitutes the fifth largest U.S. trade partner, believes that U.S. trade retaliation should be directed at the worst offender, Japan, and not at them. Along with the U.S., they want the Japanese to widen their markets for manufactures and agricultural goods.

Japan resents being blamed for everyone's trade problems. It feels unfairly penalized for its success and efficiency.

East Asia-Pacific
The Fastest Growing
Region of the World
(percentage share of world GNP)



East Asia-Pacific includes East and Southeast Asia, China, and Oceania but not South Asia.

*Source:*Government of Japan. *Japan in the Year 2000* (Tokyo:*The Japan Times*, 1983).

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Japan regards protectionism as the greatest threat to the world economy, and points out that it must export manufactured goods in order to support its 122 million people. Japanese public opinion regards the country's trade imbalance with the U.S. as evidence of the superiority of Japanese products and inadequate American efforts to penetrate its economy. While the U.S. tends to regard the Japanese economy as very strong, Japanese regard it as vulnerable and isolated.

Japan complains that its allies have pressured it to maintain a strong currency. It is unhappy that the U.S. allowed the dollar to fall 50% in relation to the yen for the 12 months ending September 1986. A strong yen led to a loss of business for small Japanese exporters and a boom for South Korea. Japan came to an agreement with the U.S. in October 1986 in which the U.S. pledged to stop driving down the dollar against the yen in return for Japan's pledge to cut interest rates in order to stimulate its economy.

The Australian economy has been hit hard by falling commodity prices. Sales of subsidized U.S. grain to China and the Soviet Union—traditional Australian markets—have enraged Australian farmers, who are demanding that their government close U.S. bases in retaliation.

The Pacific Basin countries, particularly Japan and Australia, strongly back the eighth round of trade negotiations under the auspices of GATT that begin in 1987. Important issues on the agenda include trade in services, agricultural subsidies and further regulation of non-tariff barriers. Negotiations are expected to last for several years.

The security challenge

The Soviet Union has been engaged in a major military buildup in the Far East since the late 1970s to bolster its security (or, as many Western analysts believe, to achieve military superiority over the West). The Soviet Pacific fleet now numbers 85 major surface warships, compared with 101 for the U.S. In addition the Soviet Union is estimated to have deployed in Soviet Asia over 160 intermediate-range SS-20 missiles and 80 Backfire bombers able to carry nuclear weapons.

The rapid Soviet buildup in the Pacific, an area that has long been an American preserve, is unsettling to the U.S. and to the states of the region. Acts of aggression such as the Vietnamese invasion of Cambodia in December 1978, the Soviet invasion of Afghanistan in December 1979 and the shooting down of Korean Air Lines flight 007 in September 1983 all served to raise apprehensions about Soviet intentions and America's reliability in a crisis.

Most agree that so far the U.S. prevails militarily. Many Soviet ships are older and smaller than U.S. vessels. The fleet is headquartered at Vladivostok, which is icebound for part of the year. In addition, Soviet ships must pass into the Pacific through narrow straits guarded by the U.S., Japan and South Korea. The only Soviet naval base in the Pacific located outside its borders is at Cam Ranh Bay in Vietnam.

"Soviet policy toward the countries of the basin has been a spectacular failure," according to Professor James W. Morley of Columbia University. Having failed to gain influence by political and economic means, the Soviet Union, many fear, may resort to military muscle. There is "no immediate threat;...potential is the word," according to Mike Mansfield, U.S. ambassador to Japan.

The Soviet military buildup has been accompanied by a diplomatic offensive.

The "new look" foreign policy under Soviet leader Mikhail S. Gorbachev seeks to reduce tensions with China and Japan. In a major speech at Vladivostok in July 1986, Gorbachev reminded the world that the Soviet Union is an Asian and Pacific country, and claimed that over the last decade the U.S. has turned the Pacific Ocean "into an arena of military-political confrontation." He proposed convening a conference of Pacific Basin countries to conclude a pact aimed at relaxing tensions.

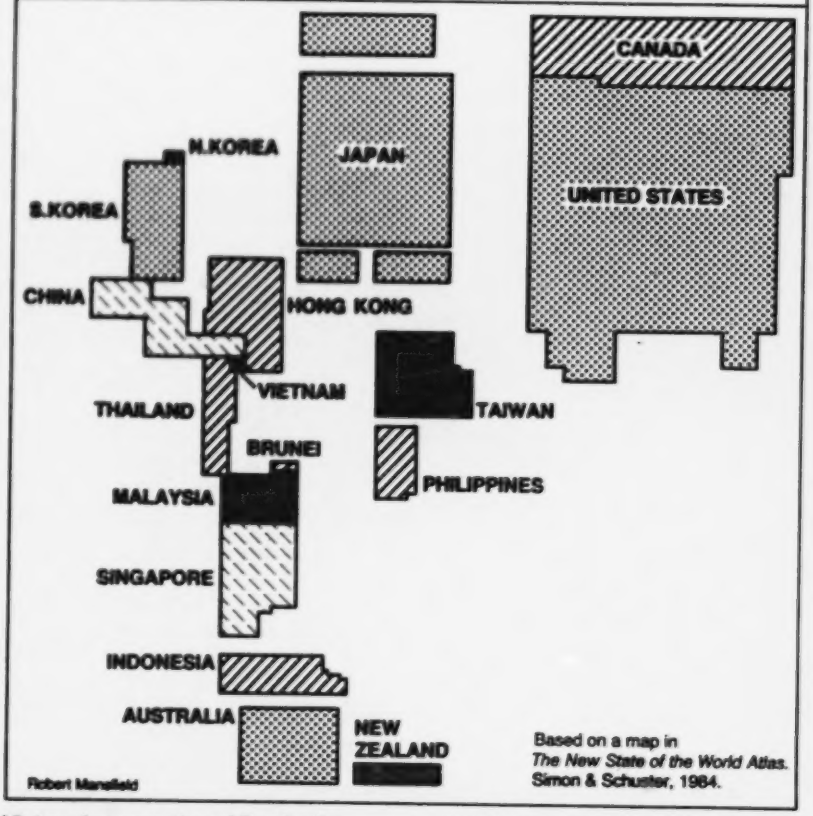
The Soviets have scheduled a trip by Gorbachev to Tokyo in 1987, and have indicated they might be willing to discuss the status of four disputed islands north of Hokkaido that Japan and the U.S. consider Japanese. The U.S.S.R. maintains they are part of the Kurile islands which the U.S.S.R. occupied after World War II. The Soviet Union has a military base on the largest of the four. Because of the dispute, Japan never signed a peace treaty with the Soviet Union after the war.

Pragmatic concerns probably lie behind the Soviet interest in Japan. Japan can supply consumer goods and help develop Soviet natural gas deposits. Also, improved Soviet-Japanese relations could help weaken the U.S. case for Japan's increasing its defense spending. In August 1986, the Soviets permitted the first visits by Japanese to the graves of their ancestors on the Kurile islands in 11 years. In return, Japan agreed to resume talks on scientific and economic cooperation.

Soviet-Chinese relations, which were close in the 1950s but had all but ruptured by 1960, have improved slightly in the last few years. Major disagreements remain, however, over Soviet support for Vietnam's occupation of Cambodia, Soviet occupation of Afghanistan, and Soviet troop deployment along the 1,850-mile Sino-Soviet border. Gorbachev has proposed renewing discussions over the disputed border. Closer ties between the Soviet Union and China could cause problems for the U.S., which has benefited from the Sino-Soviet rivalry. The Soviets could be expected to insist that China remove the U.S. intelligence-gathering stations directed at the Soviet Union.

The Soviet Union's closest ally in the region is Vietnam. In the latter stages of the Vietnam war, the Soviets gave extensive military and economic aid to North Vietnam. They have been rewarded with military facilities at Cam Ranh Bay, including a naval port and an air base for reconnaissance and fighter aircraft. The Soviet Union helps pay for Vietnam's occupation of Cambodia.

The Pacific Countries' Share of World Trade
Each country's geographical size is proportional to its share of world trade.



The Soviet Union has tried to expand its influence in the South Pacific as well by offering fishing agreements to small states that desperately need revenue. The strongly Christian islanders have in general resisted Communist advances. One exception is Vanuatu, which established diplomatic relations with the Soviet Union in July 1986 and is now negotiating a fishing agreement. None of the islands, however, has permitted the Soviets port facilities, let alone base rights.

The U.S. stake

The U.S. position in the Pacific, by most accounts, is stronger today than at any time since the end of the Vietnam war. Most of the region is at peace. The U.S. is on good terms with Japan and China, and they are on good terms with each other. The U.S. and China share an interest in frustrating Soviet political objectives in the Far East.

The U.S. believes that its military strength has been the key to peace and stability in the western Pacific. Its 230-ship Pacific fleet accounts for almost half of U.S. naval strength, which is currently being expanded to 600 ships. In addition, to safeguard its interests, the U.S. has long relied on its regional allies and the bases they provide, especially in Japan and the Philippines. These bases are backed up by facilities at Guam, Midway and Hawaii. In 1951 the U.S. and Japan signed a security pact which, as revised in 1960, commits the U.S. to defend Japan. In return, Japan provides the U.S. with bases, contributes over $1 billion annually toward their maintenance, and is responsible for defending the sea-lanes up to 1,000 miles offshore. In recent years Japanese military cooperation with the U.S. has increased, and Japanese Prime Minister Yasuhiro Nakasone has referred to Japan as part of the Western alliance.

The U.S. has urged Japan to increase its military spending on the grounds that it can afford it and that this would free U.S. forces for service elsewhere. The Japanese Constitution limits the armed forces to those suitable for defense. The "Self-Defense Force" numbers about 250,000. Although the share of gross national product (GNP) devoted to defense is limited to 1% by a 1976 govern-

ment decision (the U.S. spends about 6%), Japan has the eighth largest defense budget in the world.

A major problem the U.S. must face soon is the future of its bases in the Philippines. The bases (which technically belong to the Philippines, with core areas under American control) currently employ 45,000 Filipinos, and house a U.S. force of 16,000. The U.S. pays $180 million a year for use of the facilities. The bases agreement, which dates from 1947 and expires in 1991, is scheduled to be reviewed by both sides in 1988. President Aquino has promised to honor the agreement until it expires, but its continuance after that is an open question. The proposed constitution requires any extension to be approved by the Philippine Senate.

Should the U.S. be forced to leave, it would lose a location of irreplaceable strategic value. The cost of relocation would be enormous—an estimated $3 or $4 billion. It would take 5 or 6 years to build new facilities, and the skilled labor force would be impossible to replace.

The ANZUS pact between Australia, New Zealand and the U.S. came into force in 1952. The countries "down under" joined out of fear of Communist expansion, especially Chinese. They were also apprehensive that Japan might rearm and threaten them again. Under the treaty, each country agreed to "act to meet the common danger" should the territory or armed forces of one be attacked. The countries consulted and held joint maneuvers periodically, but there was never a permanent command structure as in the North Atlantic Treaty Organization (NATO).

The future of ANZUS is in doubt. In 1985, New Zealand refused to permit a visit of the USS *Buchanan* because the U.S. government, in accordance with long-standing policy, would not state whether the ship carried nuclear weapons. Washington maintains it had been led to believe that New Zealand would not challenge the ship. Had it complied with New Zealand's request, it would have jeopardized the secrecy of U.S. naval operations worldwide, and, moreover, it would have set a dangerous precedent. Other countries with U.S. bases, such as Japan, Spain and Greece, would have been encouraged to place similar limitations on Navy port calls.

The Reagan Administration treated New Zealand's action as a major foreign policy setback. "A military alliance has little meaning without military cooperation," said Assistant Secretary of State Paul D. Wolfowitz. In August 1986 the U.S. formally suspended its military commitment to defend New Zealand.

Australia is caught in the middle of this dispute. In addition to being part of ANZUS, Australia is bound to the U.S. by a bilateral treaty and provides military installations of great value to the U.S.—including communications stations for satellites and submarines, and facilities to monitor Soviet nuclear tests. Australia criticized New Zealand's action. ANZUS has now in effect been replaced by military cooperation between the U.S. and Australia on the one hand and between Australia and New Zealand on the other.

U.S. policy toward Micronesia is primarily influenced by strategic considerations. The islands, particularly Kwajalein atoll in the Marshall group, are a valuable testing ground for weapons. Kwajalein serves as a test target for unarmed intercontinental missiles, including the MX, launched from Vandenberg Air Force Base in California, 4,800 miles away. If necessary, the bases now located in the Philippines could be moved to Micronesia, possibly to the islands of Saipan, Tinian and Palau. The U.S. has a 50-year option on use of an airfield and harbor at Palau, 500 miles east of the Philippines. The Pentagon has purchased a 100-year lease on 17,900 acres on Saipan and Tinian, just in case.

The regional pulse

AN IMPORTANT FACTOR affecting the future of the Pacific Basin countries is political change. "The age of autocratic rulers, many of whom have given their nations stability and economic growth, may be gradually coming to an end in East Asia. Unless political systems are developed that provide for the orderly and predictable transitions of power, the achievements so proudly hailed will be threatened," according to Richard Holbrooke, former assistant secretary of state for East Asian and Pacific affairs. He believes that this issue will become more pressing as economic growth rates start to level off. He notes that Singapore and Indonesia have known one-man rule for over two decades, China has had only two strong leaders since 1949, power has remained in one family in Taiwan for 35 years, and South Korea has experienced rule by two army generals for most of the past 25 years. In terms of U.S. national interest, three of the most important countries to watch are the Philippines, South Korea and the PRC.

During Reagan's visit to the meeting of ASEAN foreign ministers at Bali, Indonesia, in May 1986, he hailed the "winds of freedom" blowing across the Pacific Basin. In the Philippines, the almost bloodless ouster of the autocratic Marcos by the supporters of Corazon Aquino in early 1986 was welcomed by U.S. policymakers as a triumph for democracy. Yet if the high expectations for the return to democracy are not fulfilled, the U.S. may be blamed. (See Topic 8.)

In South Korea, demands for political liberalization are mounting. The Korean opposition has demanded that the constitution be revised to permit elections by direct vote in 1987, a year earlier than scheduled. Demonstrations against the authoritarian government of President Chun Doo Hwan have become more common. There were large, violent student protests in May and October 1986 against the government and its links to the U.S. The Korean opposition leader, Kim Young Sam, says "the war for democracy has started, and no one can stop it." Revolution, however, does not seem imminent. So far the U.S. is backing the Chun government.

Continued U.S. military sales to the government of Taiwan are the main obstacle to better U.S. relations with China. For many years the U.S. recognized Taiwan and not the People's Republic as the representative of the Chinese people. In return for restoring ties with China, Washington in 1982 agreed to break diplomatic relations with Taiwan (unofficial ties are still close), and to reduce and eventually eliminate arms sales to Taiwan. These sales are a continuing irritant to China, and will remain so until the U.S. suspends them or the island and mainland governments resolve their mutual differences.

The size of the foreign trade deficit is now a major political and economic issue in the U.S. The Reagan Administra-

tion and many in Congress, however, disagree about the cause of the deficit and how to deal with it. Many congressmen complain that Asian countries such as Japan, South Korea and Taiwan exclude foreign manufactured products from their markets by instituting high tariffs and nontariff barriers, contributing substantially to the deficit. In addition, they believe that other countries' products do not compete fairly with American-made goods. Both the difficulty of breaking into Asian markets and competition from lower-priced foreign goods have hurt sales of U.S. products, leading to high unemployment in certain U.S. industries—those manufacturing textiles, apparel, footwear and steel. To rebuild American industry, they advocate protectionist trade policies.

Trade problems

The Reagan Administration maintains that the imbalance in U.S. trade is not caused primarily by foreign trade barriers and unfair trade practices. Rather, it results from other factors such as the high value of the dollar and the faster growth of the U.S. economy compared with most other industrial countries. The Administration opposes protectionist legislation. It believes that protectionism would provoke foreign retaliation, which would cost jobs in the U.S. and lead to higher prices for U.S. consumers. The Administration believes that negotiations, not legislation, are the remedy.

The target of much protectionist legislation is Japan. Yet Japan is the largest agricultural market for the U.S. and the second largest market for manufactures after Canada. In 1985, Japan invested $75 billion in the U.S., which helped finance industrial expansion in this country and hold down interest rates.

The Administration had a difficult time pressing its arguments in 1986, an election year, and faces even greater obstacles this year with the Democrats in control of both houses of Congress. The Democratic-controlled House approved legislation in May 1986 that would have required the President to impose penalties, such as import quotas, on countries that subsidize their exports and run up "excessive" trade surpluses with the U.S. Comparable legislation was not introduced in the Republican-controlled Senate. That August, the House narrowly upheld Reagan's veto of a bill placing strict limits on textile imports from 12 countries, the brunt of which would have fallen on Hong Kong, Taiwan and South Korea.

Two important factors behind the vote were the Administration's negotiation of new textile agreements with the main targets of the bill and its renegotiation of the Multi-Fiber Arrangement, which regulates the industrial countries' imports from developing countries. In July 1986, the U.S. and Japan resolved a bitter trade dispute over computer chips. In November, they concluded a textile accord.

Prime ministers Lange (New Zealand) and Hawke (Australia)

The Administration contends that it can get results by using quiet pressure. In an April 1986 meeting in Washington, Prime Minister Nakasone assured President Reagan that Japan would make a "historic change" in its economic policy by increasing imports and relying less on exports.

A major agreement between the U.S. and Japan to coordinate their economic policies was announced by Treasury Secretary James A. Baker 3d on October 31, 1986. The U.S. abandoned its efforts to drive down the dollar further against the yen, and in return Japan agreed to cut interest rates in order to stimulate its economy. The new Japanese economic policies were expected to help the U.S. reduce its trade deficit. In addition, the accord was clearly aimed at relieving domestic political pressures in both countries.

Decolonization

The U.S. has one remaining colonial responsibility, ending its strategic trust over four island groups in Micronesia. U.S. administration over three of the groups ended in November 1986. The Northern Marianas became a commonwealth (like Puerto Rico). The other groups, the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau, opted for a unique political arrangement called "free association" which, in return for economic aid, will leave Washington in control of defense. Palau's status cannot be finalized until a clause in its constitution barring U.S. ships from bringing in nuclear weapons is deleted.

In May 1986, the UN Trusteeship Council recommended that this last trusteeship be dissolved. However, the UN Security Council must approve it, and the Soviet Union threatens to veto the plan on the grounds that the U.S. would be able to exclude other military forces from a three-million-square-mile area.

During its time as trustee, the U.S. has been accused of creating a "dependency mentality" among the islanders. Palau's minister of administration complained, "Washington didn't ask us to do anything for ourselves, and an attitude developed among the people that we are to be fed for life." There has been little development of the Micronesian economy, while the size of the government, which employs two thirds of the population, has mushroomed.

Nuclear allergy

While U.S. friends and allies welcome the American nuclear guarantee, they would prefer the U.S. to conduct its nuclear activities elsewhere. Port calls by American nuclear-armed ships, French weapons tests and the disposal of radioactive waste are major concerns.

In New Zealand, the Labor government of Prime Minister David Lange was elected in July 1984 on a platform of keeping the South Pacific nuclear-free. It maintains that it was not obliged under ANZUS to permit nuclear-armed ships to visit its waters. New Zealand characterizes its policy as antinuclear, not anti-American. New Zealanders argue that allowing nuclear ships to dock exposes them to nuclear accidents and would make them likely targets in the event of war. (Those opposing U.S. base rights in the Philippines and Japan use similar arguments.)

Since the late 1960s the Japanese government has barred the "introduction" of nuclear weapons into Japan. The U.S., which refuses to confirm or deny the presence of nuclear weapons, maintains that, even if its ships do carry nuclear arms, merely visiting Japanese ports does not constitute "introduction."

Tuna War

The U.S. has recently concluded an agreement with 16 Pacific nations that it hopes will defuse a dispute over fishing rights. In June 1977, the 10 nations then belonging to the South Pacific Forum declared sovereignty over all resources, including fish and minerals, within 200 miles of their shores. Such "exclusive economic zones" were provided for in the Law of the Sea convention approved by the UN in 1982 (which the U.S. did not sign). The U.S. contended that, in the case of migratory fish like tuna, countries had exclusive economic rights only up to 12 miles from their shores. Islanders argued that fish were one of the few resources they had, and commercial fishermen had to compensate them for their catch.

This dispute led to a "tuna war." U.S. tuna boats, which are based in southern California and process their catch in American Samoa, were seized by Papua New Guinea in 1982, the Solomon Islands in 1984, and the Federated States of Micronesia in 1986.

Partly out of anger at Washington, the government of Kiribati signed a one-year fishing agreement with the Soviet Union in August 1985 worth $1.7 million. The U.S. government got the message. A new agreement signed in October 1986, which must be approved by the U.S. Senate, would provide $60 million over five years in return for fishing rights in the South Pacific. (The American tuna industry agreed to pay $2 million a year, to be augmented annually by $10 million from the U.S. government.) Kiribati did not renew the Soviet fishing accord.

Since Marcos' ouster, support has grown for making the Philippines a nuclear-free zone. A $2 billion nuclear power plant sits unused. The new Philippine constitution, which is due to be put to a national plebiscite in January 1987, contains an article prohibiting the use and storage of nuclear weapons except for temporary and exceptional reasons. If it is adopted, this could cause real problems for U.S. forces there.

A scheduled May 1985 visit of U.S. warships to China was cancelled when the U.S. would not give assurances that they were not carrying nuclear weapons. In November 1986, however, China did permit a visit of three U.S. combat ships, the first since the Communists came to power. The terms of the visit were not disclosed.

'Test it in Paris'

In Oceania, islanders have been very sensitive to proposals by Washington and Tokyo to dispose of nuclear wastes in their waters or on uninhabited islands. (Washington has now reportedly come over to the islanders' position.) Told the material is safe, they respond, "if it's so safe, store it in Washington, dump it in Tokyo, and test it in Paris."

Since 1971, ASEAN has promoted the idea of a zone of peace, freedom and neutrality (ZOPFAN) in Southeast Asia. Eight other Pacific countries, including Australia, New Zealand and many Pacific island nations, signed a treaty in August 1985 declaring the South Pacific a nuclear-free zone. The treaty commits its members not to manufacture or acquire any nuclear explosive device. It also bans the testing and stationing of nuclear weapons, and the export of nuclear material without strict safeguards. (Australia exports uranium.)

The treaty does not, however, prohibit the passage of nuclear-powered ships or aircraft. Countries can make their own decisions about such visits, and most permit port calls. The U.S. expected to be invited to sign three protocols to the treaty in late 1986. If it does not, anti-American feeling may grow.

Radioactive fallout from U.S. and French nuclear tests is an important regionwide issue. France conducted 41 atmospheric tests between 1966 and 1975 at Mururoa atoll, 720 miles south of Tahiti, and continues underground testing there today. Worldwide attention was drawn to these tests by the "Greenpeace affair." On July 10, 1985, French secret agents blew up the *Rainbow Warrior*, the flagship of the environmental group Greenpeace in the harbor at Auckland, New Zealand, resulting in one death. The *Rainbow Warrior* was en route to monitor and call press attention to French tests.

U.S. refusal to condemn the tests has caused ill will throughout the region. "If you want the South Pacific to become . . . fertile ground for anti-U.S., anti-West propaganda and activity . . . then continue with a policy of indifference to what the French are doing there," warned the Australian ambassador to the U.S. in September 1985.

The U.S. itself carried out 66 atomic tests in the atmosphere at Bikini and Eniwetok atolls in the Marshall Islands between 1946 and 1958. The inhabitants of Bikini atoll were removed before testing began, and the U.S. returned them after 1968 when radiation levels were thought to be safe. This proved to be a grave mistake, and a decade later the islanders, dubbed "nuclear nomads," had to be removed again. Bikinians believe they were sent back to be "human guinea pigs" for U.S. scientists. The Reagan Administration has promised to help "clean up" Bikini—but it may be at least 50 years before it is habitable.

The U.S. also inadvertently exposed residents of two neighboring atolls, Rongelap and Utirik, to radioactive fallout following the 1954 Bravo test, the largest nuclear explosion ever carried out (750 times more powerful than Hiroshima). Ninety percent of the Rongelapese suffered skin lesions and loss of hair, and victims from both atolls have recently experienced an increase in thyroid tumors. The U.S. has promised to care for the victims.

The Pacific Basin Idea

As the economic interdependence of the Pacific Basin countries has grown over the past two decades, there have been recurrent proposals to create an intergovernmental organization to promote regional goals, notably economic cooperation, and to help resolve disputes. Such an organization could complement private bilateral trade and commercial relations. The concept of a Pacific Basin community has been endorsed by Japanese Prime Minister Nakasone and Prime Minister Robert J. Hawke of Australia.

Although there are private organizations like the Pacific Basin Economic Council, set up in 1968 to promote business and investment in the Pacific Basin, the consensus is that no organization on a governmental level will be formed in the near future. Many problems stand in the way, such as which countries would belong. The U.S., Canada, China, Japan, Australia, New Zealand, South Korea and the ASEAN countries are natural candidates. But could these countries, with their different economies, work together? How much independence would these states be willing to give up to a community organization?

The smaller states tend to fear economic domination by larger ones, particularly Japan and the U.S. In addition,

China would find it difficult to work with Taiwan; North Korea with South Korea; Vietnam with Thailand. ASEAN does not want its organization to be eclipsed by another. And the question of Latin American membership would have to be resolved. A role for the Soviet Union is likewise a delicate subject. The U.S. has supported the search for a Pacific Basin community, but it believes the initiative for such an organization must come from the other regional states.

Policy options

If the U.S. is to maintain an active and influential role in the Pacific, it will have to resolve a number of policy questions.

■ 1. Democracy. Should the U.S. play a role in promoting democracy or should it support existing governments, if friendly to the U.S., regardless of their political cast? Those who approved of U.S. involvement in the Philippines point out that the U.S. contributed to the restoration of democracy and political stability under a legitimately elected government. In the process the U.S. retained the goodwill of the Philippine people.

Those who opposed U.S. policy in the Philippines fear that by abandoning a longtime loyal ally and subjecting him to humiliation in his U.S. exile, Washington may have weakened its credibility with other authoritarian rulers and might have a difficult time in the future persuading them to step aside under similar circumstances.

How relevant is the Philippine example to other countries, such as South Korea? Some argue that the Philippines is a unique case. It was a U.S. colony with long exposure to democracy. By contrast, South Korea has a tradition of authoritarian rule. President Chun is in firm control of the army; Marcos' two principal military chiefs turned against him. Unlike the Philippines, South Korea's economy is strong. So far the U.S. has strongly backed the Chun government. Should it continue to do so?

■ 2. Protectionism. The problem for the U.S. and the countries of the Pacific Basin is how to promote trade and economic growth. The Reagan Administration is convinced that pressure properly applied will persuade Japan to relax trade barriers and reduce its trade deficit with the U.S. (It notes that Japan has cooperated by imposing quotas on its auto exports to the U.S., for example.) Protectionism would invite retaliation and hurt American consumers and workers in export industries.

Many in Congress favor protectionist legislation. They believe that Japanese imports have cost U.S. jobs and that Japanese trade barriers are responsible for the huge trade deficit. They say that it is unrealistic for the U.S. to adhere to free trade principles while other countries play by different rules. It is only fair for Japan to remove trade restraints with the U.S., which provides it with a security umbrella.

Drawing by Booth; © 1985 The New Yorker Magazine, Inc.

"What's your thinking on cracking the Pacific Rim markets?"

■ 3. Security. What should the U.S. do to counter the buildup of Soviet forces? Some argue that Japan must enlarge its defense role, that it has gotten a "free ride" from the U.S. on defense and must cooperate by helping to reduce the huge U.S. trade deficit. Japan can afford to spend more on defense, and Prime Minister Nakasone is not opposed.

Opponents point out that the Japanese public does not want a larger role for its military: only 12% of Japanese think that Japan should pay more for its own defense, according to a May 1986 public opinion survey. Moreover, there are legal provisions against it, and it would alarm other regional countries, whose memories of Japan's military domination in the 1930s and 1940s are still alive.

Is the U.S. following the correct policy toward ANZUS? The Administration contends that New Zealand is being irresponsible and unrealistic in refusing to let U.S. warships into its ports. An important principle is at stake: if the U.S. gives in, it might be faced with similar demands from allies in more critical areas, which could be much more serious.

Critics assert that by expelling New Zealand from the alliance, the U.S. has overreacted, causing a crisis nobody wants. They say a way should be found to accommodate New Zealand's concerns. They add that the reason for such secrecy is not to fool the Soviets—who presumably can determine our naval capabilities—but rather to avoid adverse domestic reaction in the countries the ships visit.

★ ★ ★

A Pacific community has come into being in the past decades, and the world is increasingly taking notice of it. This has come about not by grand design but largely by the economic dynamism of individual countries. The U.S. as a Pacific nation is part of this community and must carefully consider its future political, economic and security policies there. Some argue that the 21st century will be "the century of the Pacific." Will Americans be prepared for it?

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For Discussion

1. According to Secretary of State George P. Shultz, "Pacific consciousness is rising in the U.S." What evidence do you see of this? What implications does it have for future U.S. relations with Europe?

2. How should the U.S. deal with the "winds of freedom" in the Pacific Basin? Should U.S. intervention on behalf of democracy in the Philippines be a model for policy toward other authoritarian states, such as South Korea?

3. What is the best way to respond to the Soviet military buildup in the Pacific? Increase U.S. forces? Give stronger assurances to countries in the region that the U.S. will protect them? Pressure Japan to spend more on defense? Accept as inevitable a larger Soviet role in regional affairs? Take up Gorbachev's proposal to negotiate force reductions?

4. Should the U.S. insist on making a connection between its trade deficit with Japan and the size of Japan's defense effort? If Japan refuses to alter protectionist policies, what steps should the U.S. take?

5. Is the U.S. right to suspend New Zealand from the ANZUS alliance? Is it more important to adhere to the long-held principle of not disclosing whether U.S. ships carry nuclear weapons, or to accommodate New Zealand and preserve ANZUS?

6. There were bitter recriminations in the U.S. foreign policy establishment about the overthrow of the shah in Iran. Why weren't there any over the ouster of Marcos in the Philippines?

7. U.S. bases in the Philippines are considered critical to the defense of the western Pacific. The treaty permitting them runs out in 1991, and afterward could be significantly altered or even cancelled. What price—financial or political—should the U.S. be prepared to pay to retain them?

8. Trade across the Pacific to the U.S. is now greater than that across the Atlantic. What are the implications of this for the U.S.?

9. How far should the U.S. go to placate regional concerns on trade barriers? antinuclear sentiment?

10. According to the U.S. Constitution, what roles do the President and Congress play in deciding what trade policies are followed?

Suggested Readings

Cumings, Bruce, "The Two Koreas." **Headline Series** No. 269. New York, Foreign Policy Association, May/June 1984. 80 pp. $4.00. Excellent portrait of the political and economic systems of North and South Korea by a political scientist.

Gorbachev, Mikhail, "Asia and the Pacific Region." **Vital Speeches of the Day**, September 15, 1986, pp.706-11. Speech given in Vladivostok in July outlining the new Soviet diplomatic offensive.

Haberman, Clyde, "Challenge in the Pacific." **The New York Times Magazine**, September 7, 1986, pp. 26+. Growing Soviet military presence in the Pacific is cause for concern.

Holbrooke, Richard, "East Asia: The Next Challenge." **Foreign Affairs**, Spring 1986, pp. 732-51. Expert warns that as economic growth lags, political institutions must liberalize or past gains will be threatened.

Mediansky, F.A., "Nuclear Weapons and Security in the South Pacific." **The Washington Quarterly**, Winter 1986, pp. 31-43. Australian political scientist provides excellent overview of tensions within ANZUS.

Morley, James W., ed., **The Pacific Basin: New Challenges for the United States**. Proceedings of the Academy of Political Science, Vol. 36 No. 1 (1986). 179 pp. 2852 Broadway, New York, N.Y. 10025. $9.95 (paper). An excellent volume that addresses political and economic developments, U.S. interests and regional issues.

Pempel, T.J., "Japan: The Dilemmas of Success." **Headline Series** No. 277. New York, Foreign Policy Association, January/February 1986. 80 pp. $4.00. An excellent introduction to Japanese history, society, politics and economic role in the world.

Sigur, Gaston J., Jr., "U.S. and East Asia-Pacific Relations: The Challenges Ahead." **Current Policy** No. 859. Washington, D.C. 20520. U.S. Department of State Bureau of Public Affairs, July 4, 1986. Challenges for the U.S. include sustaining economic growth, managing commercial problems and protecting successes already achieved.

"The Western Pacific." **Current History**, April 1986 (entire issue) $3.50. Political scientists survey the region, focusing on seven countries.

For further in-depth reading, write for the GREAT DECISIONS '87 *Bibliography (see page 2).*

ILLUSTRATION CREDITS: p. 41, Reuters/Bettmann Newsphotos.

5

South Africa

Apartheid Under Siege?

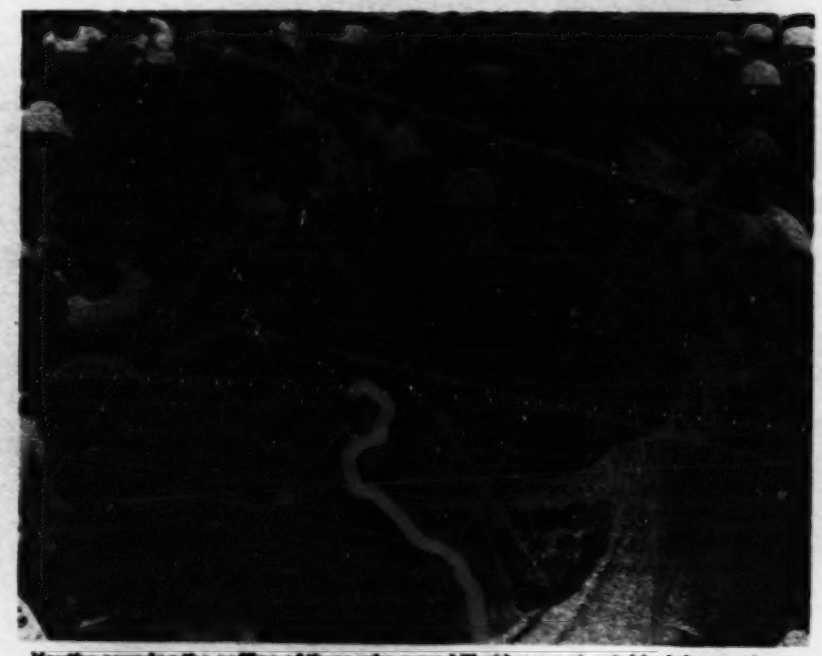
SOUTH AFRICA has been front-page news for the past two years, a record unmatched by any other foreign policy issue short of a war. Its newsworthiness is a reflection, and a cause, of unprecedented public interest in the domestic policies of a distant country. By the fall of 1986, a tidal wave of public opposition to *apartheid*, a system of legalized discrimination against blacks, helped to bring about a shift in the course of U.S. policy toward South Africa.

In September 1986, the Democratic-controlled House of Representatives, followed three days later by the Republican-controlled Senate, voted to override President Ronald Reagan's veto and put into effect economic sanctions against South Africa. Their action brought to an end, or at the least registered serious discontent with, five years of Reagan's policy of behind-the-scenes diplomacy known as constructive engagement.

The legislation bans imports of South African uranium, coal, steel, textiles and agricultural products. It forbids new U.S. investment in South Africa, bans new bank loans and ends landing rights in the U.S. for South African Airways. The sanctions did not go as far as some would have liked—the House had approved a complete trade embargo in June 1986—but they were stricter than sanctions approved earlier in the year by the 49 members of the Commonwealth and the 12-member European Community (EC).

Widespread support for sanctions was provoked by the South African government's increasingly harsh treatment of the black community, which has resulted in the loss of more than 2,200 lives over the past two years. Other incidents which roused lawmakers included repeated South African military strikes against its neighbors, the imposition of emergency law and the sweeping arrests of thousands of students, civic leaders and trade unionists.

Congress was also swayed by pressure at home. Since 1984, more than 3,000 people have been arrested as they protested outside of the South African embassy in Washington. College campuses have been the site of repeated antiapartheid rallies, and a wide spectrum of respected civil rights and church leaders have spoken out against apartheid.



Youths carrying the coffins of three who were killed in unrest outside Johannesburg.

The sanctions bill sent a loud signal of protest, as was intended. It was followed by the announcements by Coca-Cola, General Motors and IBM that they were selling their holdings in South Africa to locals. But challenges remain for Americans concerned about South Africa. Even their most enthusiastic proponents saw the American sanctions as a symbolic gesture. At best, they argued, the symbol would be so compelling that the South African government would be forced to begin to make drastic changes. "As a friend of that government we are saying wake up!" explained Senator Richard G. Lugar (R-Ind.), chairman of the Foreign Relations Committee. At the very least, supporters reasoned, the U.S. would be aligning itself clearly with the oppressed and would make a gesture of support for the eventual black rulers.

As GREAT DECISIONS went to press in November, neither change nor revolution had materialized. South Africa's president, Pieter W. Botha, who believes he has already made significant changes in apartheid, responded angrily to the sanctions legislation and appeared to pull into what South Africans refer to as a *laager* position, a reference to the South African practice of retreating inside a laager (a circle of wagons) when under attack. The black leadership is by all accounts more confident and more militant than it has ever been, but it is heavily outgunned by South Africa's strength.

As they debate the next step, U.S. policymakers will be considering the range of American interests in South Africa, and weighing which are the most important. In addition to its interest in human rights and its desire to see all groups participate in governing, the U.S. has the following concerns:

► Economic interests. U.S. investments in South Africa totaled $1.3 billion at the end of 1985 (down from $2.6 billion in 1981), and trade between the two

countries in the first half of 1986 was $1.7 billion. This includes U.S. imports of strategic minerals—chromium, manganese and platinum—needed for the manufacture of specialty steels, petrochemicals and jet engines.

► Political interests. The stability and security of southern Africa as a region and U.S. relations with other African states will be greatly influenced by what happens in South Africa.

► Strategic interests. A major concern is to curb Soviet and Cuban influence in the region. Policymakers will also have to consider how much influence the U.S. has to affect change in South Africa. Short of a revolution, fundamental change will have to have considerable support from South Africa's whites. How then can the U.S. best help to bring about an end to apartheid? By tougher economic sanctions? By continuing with constructive engagement? Or are there other policies the U.S. should consider?

Understanding apartheid

APARTHEID is a doctrine unique in the world today. It is a government policy that mandates racial discrimination by law. Under apartheid, 4.5 million whites, 11% of the population, govern the country of 40.9 million. Whereas the 2.5 million Coloreds (people of mixed ancestry) and 900,000 Asians have some parliamentary representation, the 33 million blacks (or Africans, as they are called in South Africa) have no voice whatsoever inside the government.

The country in which apartheid exists is one in which many Americans would feel at home. Its major cities look like Dallas and Houston, tall buildings on a flat, dusty landscape. Its white citizens share the Judeo-Christian heritage and many speak the language that most Americans do. It is the most developed state on a continent that is better known for its impoverishment than its infrastructure. And its government shares with America an ideology that is anti-Communist and pro-capitalist.

But South Africa is really two countries existing simultaneously—a Third World country inside a developed one. Black South Africa is as poor as the 10 poorest countries in Africa. Infant mortality for whites is 13.0 per 1,000 live births; for blacks, 90. Life expectancy for whites is 70 years; for blacks, 55. And even deeper than the economic division is the psychological one.

Blacks mingle with whites on the streets of Johannesburg and work in white homes, but there is little knowledge on either side of what the other is like. Few whites ever see where blacks live since the areas are, by law, not easily accessible. In his book *Freedom Rising*, James North relates how white soldiers had to be trained to believe that blacks would fire a gun, because the whites did not think the blacks had the intelligence to do so. Blacks whose contacts with whites are mainly policemen or administrators cannot believe that there are whites who are working to end apartheid. How has this divided state evolved?

Original South Africans

The earliest inhabitants of South Africa were the Hottentots and Bushmen. They lived in the Cape, the southernmost part of the country. They did not long survive the arrival of new immigrants. They either fell victim to smallpox, were killed, or intermarried with whites. Many of the Coloreds are descended from these peoples.

Who got there next? The chronology of South Africa's history is an ideological mine field, made worse by the fact that up until recently little study was done of black history. South African historian T.R.H. Davenport dates the permanent arrival of the major black tribes to the early 17th century. Their arrival, he says, was the last of several migratory swings up and down the continent; in all likelihood they had been to South Africa before.

The first white settlers arrived in 1652. These were the Dutch, who were soon joined by French Protestant Huguenots and Germans. Descendants of the Dutch are today known as Afrikaners. Like the Puritans in American history, these new immigrants were motivated by a desire to practice their religion without persecution. Their religious belief in their "apartness" eventually became the ideological underpinning of apartheid.

British annexation of the Cape Province in 1806 heralded a century of conflict. The abolition of slavery by the British rulers in 1833 dealt a severe economic blow to the Afrikaner farmers and prompted the Great Trek. Some 14,000 Afrikaner men, women and children Voortrekkers (pioneers) left their homes to move into the interior to escape British rule and establish independent republics.

Diamonds were discovered in South Africa in the 1860s, gold 20 years later. It was early apparent that the financial success of the mines would depend on tremendous pools of cheap black labor. Apartheid has an economic, as well as an ideological, foundation.

The fight over South Africa's wealth worsened the British-Afrikaner rivalry and culminated in the 1899-1902 Boer War. The war was particularly bitter because it involved heavy casualties among civilians. Britain was the victor, but at great cost, and there was little desire at home for any more wars in South Africa. The peace treaty granted Afrikaners many of their wishes and even made reference to the eventual autonomy of South Africa.

The Union of South Africa, a self-governing British dominion, was formed by British and Afrikaners in 1910. It excluded blacks, Coloreds and Asians from Parliament. In 1934 South Africa achieved its independence, and became a sovereign state within the British Empire.

Afrikaner dominance

A major theme of 20th-century South Africa is the successful struggle of the Afrikaners to gain political dominance. After the Union was formed they organized to improve their lot against the English-speaking whites who dominated the government and the economy.

The Broederbond, a secret all-male organization, was founded in 1918 to promote Afrikaner interests. It was instrumental in the creation of the "purified" (authentic Afrikaner and Calvinist) National party in 1934. The National party, which officially adopted the policy of apartheid in 1945, came to power in the 1948 elections. It has dominated South African politics ever since, winning every national election by large margins. (The economy is still heavily influenced by English-speaking interests, with the result that the governmental capital, Pretoria, is an Afrikaner city in which Afrikaans is spoken; while Johan-

nesburg, the financial and mining center, is distinctly British in character.)

The laws of apartheid were not on the face of it so different from what had existed previously. Blacks had suffered for decades from discrimination and segregation. The difference was in its comprehensiveness. Hendrik Verwoerd, the architect of apartheid, planned nothing less than the creation of a pure white South Africa. Most of his laws are still in place today, though with some modification. The most important of the apartheid laws is the Population Registration Act. Every South African is classified by race; blacks are then further broken down into 10 tribal categories; Coloreds into 7. Classification is determined by bureaucrats on the basis of parentage and appearance.

Once classified, every major part of his life is determined: where he can live, where he can work and, up until recently, whom he could marry. Until July 1986, this system was enforced through passbooks, similar in design to a passport, which every nonwhite over the age of 16 was required to carry. The passbook recorded every aspect of his life.

In what had the potential for being a major reform of one of the most-hated aspects of apartheid, the Parliament scrapped most of the pass laws for many urban blacks on June 25, 1986, and replaced passbooks with "uniform identity cards." The cards were supposed to be distributed to whites as well as urban blacks. Unlike the passbooks, they do not designate the black's tribe. In theory, the reform could be interpreted to mean that blacks would be able to live and work where they wished.

But the pass laws still apply in the form of "alien laws" to one third of the blacks, who live in so-called independent homelands. The government made clear that the card did not affect the laws that enforce segregation. And blacks' cards carry the same racial identification numbers as their earlier passbooks did, which, critics believe, means that the government has just traded one form of control for another.

Townships

Blacks may work in the cities, but they may only live in them if they can find housing in one of the segregated areas. The vast majority of urban blacks live in townships, such as Soweto, which are on the outskirts of the major cities of South Africa. Although originally designed to be dormitories for blacks migrating long distances to work, they have evolved into the permanent dwelling place of some 10 million people.

More than 250,000 live in this squatter camp outside of Cape Town.

Life is very hard in the townships. Only one fifth of the homes are electrified. Whole families are crowded into one- or two-room dwellings. It is also a frightening place to live. Crime is rampant. Radical youths roam at night in search of those they think collaborate with the white government. There are police raids, sometimes nightly, in search of people who are there without the right papers. Some police are white, but most are black and often of a different tribe than the majority in the township. The result is a high level of distrust between both blacks and whites and blacks and blacks. Still, people continue to stream into the townships because there is a better chance of finding jobs and they are better off there than in the homelands.

The homelands are the key to Verwoerd's plan for "separate development." South African law calls for every black to be designated the citizen of one of the 10 so-called self-governing ethnic or tribal homelands, regardless of whether or not he was born there or even speaks that language. As the homelands become nominally independent, as four have, the black citizens of that homeland are stripped of their South African citizenship.

Separate development has resulted in suffering for millions of blacks. Some 3.5 million blacks have been forcibly moved over the past 25 years, sometimes from homes they had lived in for generations. The homelands have only 13% of South Africa's territory, much of it scattered in the most desolate areas of the country. Per capita income for the more than 10 million blacks who live in the homelands is lower than that for all but 10 of the 44 African nations. Malnutrition and disease are widespread. While the government has taken moves to grant citizenship to some urban blacks, the blacks of the independent homelands are, according to South African law, foreigners.

Education

Up until 1953, many blacks were taught by foreign missionaries. But Verwoerd believed that blacks were being overeducated for the positions that he planned for them to hold, and he instituted "Bantu education," a deliberate downgrading of the black educational system. Young black students are taught in the language of their tribe—Xhosa, Zulu, etc.—and they are taught only basic information. Their instruction begins at a later age than does schooling for whites, and ends at an earlier age. The government has announced that it now plans to have equality of education, but it continues to spend $8 on white education for every $1 it spends on black education.

Petty apartheid

This is the most visible form of apartheid and the area in which there have been the most visible changes. It has included separate lavatories for blacks and whites, separate elevators and separate buses. In the past few years many local municipalities have scrapped these laws or have not enforced them. In 1985, the government repealed the law against interracial marriage, the first time an apartheid law had been struck down. But although blacks and whites may now marry, they may not live in white areas.

Maintaining apartheid requires a level of military preparedness and state intervention in people's day-to-day lives that is more often associated with a Communist state than a democratic one. It leaves little room for rights similar to those guaranteed Americans by the Constitution. Even before the emergency rules went into effect, South Africa had restricted due process for those arrested. The emergency declaration, which P.W. Botha imposed in July 1985, lifted and then reimposed in June 1986,

allows police to make arrests without warrants and hold suspects indefinitely. Presently there are 20,000 detainees. A newspaper that prints the name of someone detained can be fined $8,000 and the reporter sent to prison for 10 years.

Violence is an ever-present part of South African life. Most of white South Africa remains unaware of the extent of the unrest, because the military has so far been successful in keeping white areas immune, and the government censors television and newspaper reports. Many whites share the view of South African political scientist Gerrit C. Olivier that "the South African government could at any time fall back on its formidable power base and embark on strict authoritarian means to control the situation."

Toward real reform?

As protected as they are by the police, many whites have nonetheless come to the conclusion that some change in apartheid must take place. Some, such as the members of the white opposition Progressive Federal party or the Black Sash, a group of white women who give legal aid to blacks, have long favored change. Many others appear to be wearying of constant economic and political pressure. Long before the U.S. sanctions legislation, the economy was suffering. South Africa has been in a recession for more than two years. The rand (its unit of currency) has sunk in value by over 65% since 1980, making imported goods much more expensive. Constant military action has also taken its toll. In 1985 more than 7,000 whites refused to respond to draft call-ups. White students have even battled police on campuses in support of detained black peers.

P.W. Botha, who as head of the National party speaks for the majority of white South Africans, has said at different times that apartheid is "dead," "outmoded" and "finished." The changes in apartheid that he has made seem to his supporters, and to his conservative opponents, to be revolutionary. (One result has been an increase in support for the extreme right-wing Conservative party.) But those who favor greater reform believe that P.W. Botha is modernizing apartheid, not trying to end it. One white South African compared the president's actions to a surgeon's: he is willing to amputate, but only because he wishes to save the body, which is white political control. At this point, critics believe, no change short of political participation will satisfy black demands.

A new constitution

South Africa appeared to take a step toward power sharing in November 1983, when white voters overwhelmingly approved a new constitution which opened up limited political participation to Coloreds and Asians. But the Constitution left out blacks entirely.

Under the terms of the new Constitution, Coloreds and Asians were given the right to vote for representatives of their separate parliamentary chambers. The ratio of representatives left the whites numerically superior, ensuring that they could not be outvoted, but it at least gave a limited voice to two groups that had not previously had one.

For blacks, the overshadowing feature of the Constitution was their complete exclusion from any sort of political participation. Blacks had not been able to participate before the Constitution, but many felt it would have been easier to overturn apartheid laws one by one than to scrap an entire Constitution. When the new Parliament opened in September 1984, at about the same time as rent increases went into effect in the townships, black anger boiled over and prompted the protests that have racked South Africa for the past two years.

Since then P.W. Botha has taken some steps to grant what has been described as second- and third-tier levels of political participation to blacks. He has encouraged black entrepreneurship by loosening restrictions on where blacks may open businesses. In January 1986 he proposed a National Council, under his own chairmanship, that would include hand-picked blacks. Although the exact purpose of the council is unclear, Botha has suggested that it could advise him on constitutional changes, which might then be put to a white and a black referendum. No black leader of stature has been willing to take part in the council, however, and the plan is a long way from the "one person, one vote, in a unitary state" advocated by most blacks.

Progressive party

Not all whites have supported the Constitution or the National party's program. Colin W. Eglin, head of the Progressive Federal party, which is the opposition party in Parliament, has indicated that his party favors a nonracial government. Said Eglin in 1986, ". . .one can't reform apartheid."

The Progressive Federal party has the support of 20% of the white voters. Many of its members are from the business community, most prominently Harry F. Oppenheimer, former head of the Anglo-American Corp. and DeBeers Consolidated Mines, and for that reason it has been closely associated with English-speaking South Africans. (Afrikaners are often quick to point out that English-speaking South Africans can afford to be antiapartheid because many carry British passports.)

Legal alternatives

Outside of government, one of the largest groups working for political change—legally—is the multiracial United Democratic Front (UDF), which was formed in August 1983 and is a coalition of 600 community, labor, religious, youth and other organizations. It claims 1.5 million members. The UDF is nonviolent and has declared itself in favor of civil disobedience. P.W. Botha has accused it of being an extension of the African National Congress (ANC) and thousands of its members have been jailed under the June crackdown. In the fall the South African authorities cut off the UDF's access to the foreign contributions which make up half its budget.

South Africa's laws leave blacks few legal ways to try to bring about change. (The activities of the banned ANC will be discussed in the next section.) One of the largest of the legal black groups is headed by Gatsha Buthelezi, hereditary chief of the 6 million member Zulu tribe as well as elected chief executive of the Zulu homeland, KwaZulu. Buthelezi has said he is willing to serve under ANC leader Nelson Mandela, who has been in jail for 24 years.

Black labor unions, first legalized in 1979, have assumed an important political role as their membership has increased. The most influential of these is the National Union of Mine Workers, which counts as members 230,000 out of the 550,000 black mineworkers.

Eminent Persons Group

The most concerted effort to bring about a dialogue between South Africa's divided groups was carried out by representatives of the Commonwealth in the winter and spring of 1986. Many of the Commonwealth countries wanted to impose sanctions against South Africa, but in response to British Prime Minister Margaret Thatcher's determination to avoid such action, they agreed to postpone sanctions for six months while the seven-member Eminent Persons Group on Southern Africa worked to negotiate a solution.

After 20 negotiating sessions with the government and many with black nationalist leaders, the group put together

a negotiating framework. It called for the termination of the state of emergency, the unconditional release of Mandela, the unbanning of the ANC and the restoration of black political life. Although the group was initially hopeful, negotiations foundered when the government required the renunciation of violence by the ANC. (The ANC had indicated a willingness to suspend violence while negotiations took place.) The mission came to an end after South Africa invaded three neighboring Commonwealth countries (Botswana, Zambia and Zimbabwe). ". . .The South African government is not yet ready to negotiate. . . ," the group concluded, and some months later the Commonwealth imposed sanctions. (Britain did not go along with the Commonwealth, but it did agree to the EC's weaker sanctions.)

The African challenge

Nelson Mandela (in the early 1960s)

P.W. Botha

Oliver Tambo

IN SEPTEMBER 1986, Coretta Scott King, widow of the slain U.S. civil rights leader Martin Luther King, went to South Africa in an effort to promote dialogue. Her intentions were thwarted when black protesters demanded that she not keep scheduled appointments with Botha and Buthelezi. The lumping together of Botha and Buthelezi was a sad sign of the times. Black opinion is clearly hardening. Why has this happened?

The first organized black opposition to white rule was peaceful in goals and action. This was the African National Congress, founded in 1912. The new organization was strongly influenced by the teachings of Mahatma Gandhi, who was then in South Africa leading protests against discrimination against Indians. But hopes for peaceful change suffered repeated setbacks: the first Constitution raised the color bar; legislation in 1913 and 1936 limited ownership of property and defined where blacks could live; strikes were brutally suppressed.

Blacks thought things would change after World War II. Many had served abroad in the army. Prime Minister Jan Smuts was one of the authors of the UN Universal Declaration of Human Rights, which pledges promotion of human rights and fundamental freedoms "without distinction of any kind, such as race, colour. . ." Smuts did in fact begin to take some steps toward improving the black position, but in 1948 Verwoerd's National party and apartheid were voted into power.

The government's actions radicalized younger ANC members, among them lawyers Mandela and Walter Sisulu, and in 1943-44 the ANC Youth League was created. Although still committed to nonviolence, its members favored more militant action. A Defiance Campaign in 1952, designed to bring about a general strike, failed in its goal, but ANC membership jumped from 20,000 to 100,000 as blacks all across the country participated in acts of civil disobedience.

During this time, the ANC had an internal struggle over how to deal with whites and particularly the white members of the South African Communist party. Some members, such as Mandela, did not want to admit Communists, arguing that communism was a white ideology. (During the 1920s, when the Communists were trying to organize white miners, the party's slogan had been: "Workers of the World Unite, and Fight for a White South Africa.") Others felt that the ANC would need the Communists' organizing skills. Eventually, the ANC decided to remain a multiracial organization and allow the continued involvement of Communists.

In 1955, members of the ANC, working with Indian, Colored and white organizations, joined together in adopting the Freedom Charter, which begins, "We the people of South Africa declare for all our country and the world to know; that South Africa belongs to all who live in it, black and white. . . ." The charter goes on to say that all national groups shall have equal rights, and that the mineral wealth of the country should be owned by the people.

Sharpeville

In 1960, members of the Pan-Africanist Congress (PAC), a rival organization that favored only black membership, gathered in Sharpeville to protest pass laws and demand slightly higher minimum wages. Peaceful demonstration turned into massacre when the police opened fire on the unarmed protesters, killing 69 and wounding 186.

Following Sharpeville, the ANC decided that the only course for blacks was to "submit or fight." Mandela organized Spear of the Nation, a small group that would carry out sabotage. In 1962, he was charged with treason and sentenced to life imprisonment.

Youths battle heavily armed police in one of the many skirmishes that have taken place in South Africa over the past two years.

Sharpeville was the beginning of a cycle of violence, world condemnation, and then crackdown that continues today. Following Sharpeville, the South African government banned the ANC and PAC and passed a series of laws restricting those few legal rights that blacks had. It also put into effect tough export controls, making it difficult for South Africans to transfer their wealth to other countries. The policy succeeded. South Africa's economy boomed in the next few years and black protest was suppressed.

The next major explosion came 16 years later, in 1976, in Soweto, the sprawling black township outside of Johannesburg that is the home of 2 million. Six hundred died in riots in Soweto, many of them students who were protesting the introduction of Afrikaans as the language of instruction in schools. (Soweto students were already required to be fluent in English and their tribal language; the imposition of a third language seemed an undue hardship.) Nine years later, in 1985, from 19—the official count—to 43 blacks were killed when police fired on a group of protesters outside of Uitenhage, a city in eastern South Africa.

The youth

The disruptions that began in the fall of 1984 have been characterized by a greater degree of violence than ever before. Most disturbing is the evident radicalization of black youths, who have been exposed at a very early age to the repression of apartheid. During 1985, almost 1,000 children under the age of 16 were killed or injured by security forces. Children as young as seven have been detained under the emergency laws.

The townships have been the site of hundreds of incidents of violence by young blacks against blacks who are accused of collaborating with the government or working with security forces. Many have been killed by "necklaces," tires that are filled with gasoline, placed around the victim's neck and set afire.

Why do blacks murder blacks? The South African government suggests that such violence has been inspired by the ANC, and indeed Winnie Mandela, the wife of Nelson Mandela, has been quoted as approving of the use of necklaces. Other observers have suggested that the violence is incited by blacks who are paid by the government to discredit the black cause. Others believe the high level of tension in the townships must naturally boil over into violence.

All eyes on the ANC

Through the 1970s the ANC was overshadowed by the actions of the PAC, and was considered by many to be an organization of questionable effectiveness. But in the past few years, the ANC has come to be seen as the most important group that speaks for South African blacks. The headquarters in Lusaka, Zambia, where ANC President Oliver Tambo is based, have taken on all the characteristics of a government in exile.

A major reason is the tremendous popularity of Nelson Mandela. He is perceived as a man who is willing to sacrifice everything for his convictions. For the past several years the South African government has indicated that it would release Mandela if he would renounce violence. Mandela has consistently refused, arguing that apartheid is a form of violence and that the government should renounce that first.

The efforts to have Mandela released have picked up momentum in the past year. Because of his reputation for not compromising his principles, many who hope for a peaceful solution believe he is best-positioned to rally blacks and whites in a negotiated settlement.

The Reagan Administration maintains contact with the ANC and has urged South Africa to release Mandela. But the Administration has expressed great concern over the influence of Communists on that organization. Said Secretary of State George P. Shultz, "History teaches that the black majority might likely wind up exchanging one set of oppressors for another and, yes, could be worse off. . . ."

Mandela himself has repeatedly said that he is a nationalist, not a Communist, and that he continues to believe in the Freedom Charter. He has compared his alliance with the Communists against apartheid to the American alliance with the Soviets against Hitler in World War II. In any case, his supporters argue, an ANC government that comes to power today, while Mandela, 68, is alive, is much more likely to be moderate than one that comes to power after a war.

Toward a regional approach

APARTHEID HAS influenced South Africa's approach toward its neighbors. It has relied on a policy of intimidation toward the black states of southern Africa in an effort to weed out the ANC and keep their governments off-balance. In Namibia (South-West Africa), its quasi-colony to the north, South Africa has installed a cooperative regime.

It was South Africa's policy toward Namibia, not apartheid, that first drew international attention in the years after World War II. Namibia was a German colony before World War I; after the war it became a League of Nations mandate assigned to South Africa. Since 1948, when the first National party government told the UN that the mandate had lapsed, South Africa has occupied Namibia in violation of international law.

Two things drew South Africa to this barren country. One was its mineral wealth, not as great as South Africa's, but substantial nonetheless. It is rich in diamonds and uranium. The other was its strategic location; the two countries share a long border.

In later years a third attraction became important. As country after country in Africa lost its white colonial rule, Namibia was South Africa's last chance to have a neighboring white government or a buffer-state with a pliant black government. This became a particularly urgent desire after Rhodesia's white government under Ian Smith stepped down in 1980 and the country became Zimbabwe.

A series of UN resolutions have failed to induce South Africa to withdraw its troops from Namibia. On the contrary, South Africa has responded by trying to install a series of friendly governments there. Although it has agreed in principle to independence for Namibia, it has repeatedly postponed UN-supervised elections, many believe because it knows that the winner would be the South-West African People's Organization (SWAPO)—the principal liberation movement fighting for Namibia's independence. Pretoria believes SWAPO is Communist.

Successive U.S. administrations, the Reagan Administration among them, have condemned South Africa's occupation of Namibia. Reagan added a new element to U.S. policy, however, by linking the withdrawal of South Africa's troops in Namibia to the withdrawal of Cuba's troops in Angola.

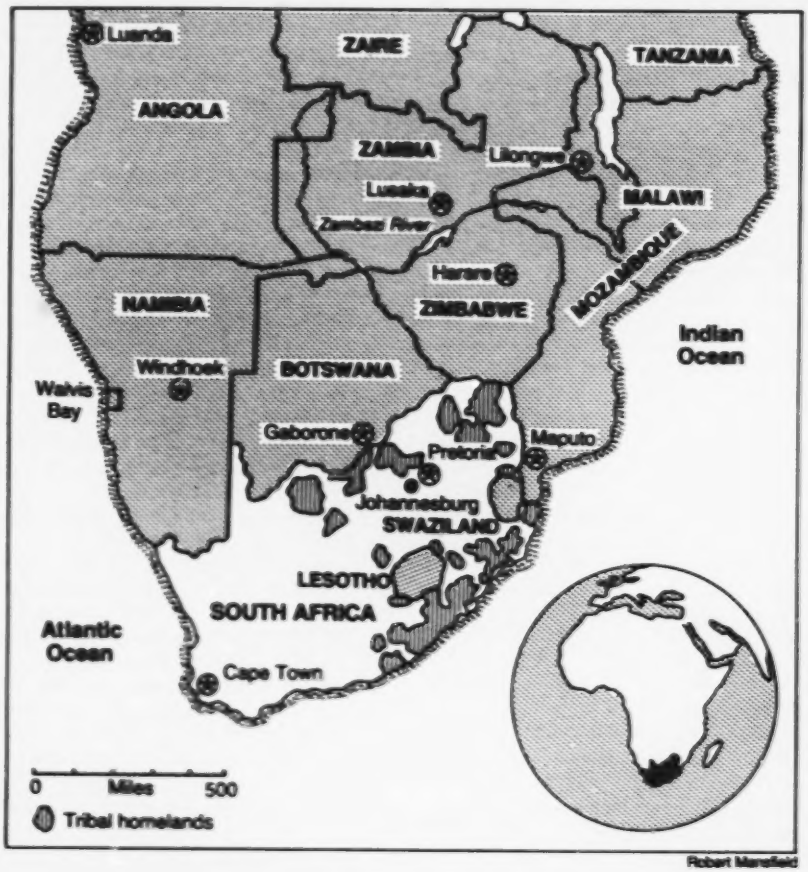
After the withdrawal of Portugese rule from Angola in 1975, there was a civil war in which a Marxist group led by Dr. Agostinho Neto came to power. The loser was UNITA, led by Dr. Jonas Savimbi, which had been backed by both South Africa and the U.S. until Congress cut off all except humanitarian aid in 1976. South African troops continued to invade Angola in support of UNITA and established a permanent presence in the country. Cubans, who had been brought to Angola in 1975, remained there at the request of the Marxist government to prevent its overthrow. The result was continued conflict, until by 1984 UNITA occupied about one third of Angola's territory.

The Reagan Administration believed that security concerns were an important factor in South Africa's unwillingness to reform apartheid. In an effort to reduce such concerns, and specifically, to get the Angolans to send home the Cubans, Assistant Secretary of State Chester Crocker embarked on a long series of negotiations between Angola and South Africa.

In January 1984, Angola and South Africa reached a tentative pact in which South Africa agreed to withdraw its troops from Angola to Namibia. Angola agreed to send some Cubans home. South Africa did withdraw its troops more than a year later, but it continued its raids on Angola and eventually sent its troops back in. The Cubans remain in Angola.

Mozambique

In 1984, the U.S. also appeared to have succeeded in brokering a deal between South Africa and one of its poorest neighbors, Mozambique. After two devastating years of drought, Mozambique entered 1984 starving and weakened by continued attacks by Renamo, a guerrilla organization supported by



Robert Mansfield

South Africa that is trying to topple Mozambique's Marxist government. In the Nkomati Accord, signed by P.W. Botha and Mozambique's late President Samora M. Machel, South Africa agreed to stop supporting Renamo; Mozambique agreed to stop providing refuge to the ANC. This was the first security agreement between South Africa and a black African state.

The accord was soon in trouble. Mozambique did expel the ANC on schedule, but it was soon apparent that South Africa had not discontinued its aid to Renamo. Many analysts believed the accord was long over, in fact if not in writing, by the time Machel died in a plane crash in South Africa in October 1986.

The Nkomati Accord was symbolic of the balancing act that all of the "front-line" states have had to attempt. These are the six black-led states to the north of South Africa (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe). Although opposed to apartheid, all of these countries are overshadowed by South Africa's military strength and dependent on its economy. For example, more than 1 million non-South Africans work in South African mines and factories and send their earnings home, an important source of income for southern Africa. For this reason, Pretoria has made clear that economic sanctions against South Africa are tantamount to sanctions against the rest of southern Africa. The countries of southern Africa have, nonetheless, been vocal in their support of U.S. sanctions.

U.S.-South African relations

THE U.S. HAS NO treaty of alliance with South Africa and never has had. The U.S. has never had a colonial presence in Africa. U.S. businesses employ only 70,000 black South Africans, less than 1% of the black labor force. Nonetheless, many in the U.S., in South Africa and in black Africa believe that the U.S. has a responsibility to try to bring change to that country.

There are several reasons for this view. One of every eight Americans is of African descent, and there is a strong domestic lobby that favors U.S. involvement. The U.S. has also been the voice of self-determination since World War II, and many believe it is the U.S.' role to speak out for human rights, democracy and freedom.

American opposition to apartheid dates to the presidency of Harry S. Truman. President John F. Kennedy imposed an embargo on military sales in 1963. Successive presidents were less outspoken until Jimmy Carter, who made opposition to apartheid a keystone of his foreign policy. The U.S. supported a 1977 UN Security Council embargo on exports of arms to South Africa. In 1978, the U.S. banned the export of computers to the South African military and police. The U.S. also prohibited assistance from the Export-Import Bank to corporations in South Africa unless they endorsed and promoted racial equality.

Sullivan code

U.S. corporations doing business in South Africa have also taken steps to express their concern. On May 7, 1977, 19 corporations adopted the Sullivan code, a voluntary code of conduct proposed by an American minister, the Rev. Leon H. Sullivan. (By 1986, 160 of the 244 U.S. companies in South Africa subscribed.) Initially the code emphasized measures that would help blacks economically, such as requiring more training in skills for blacks. But in 1984, Sullivan added several new principles in an effort to get U.S. businesses to pressure the government to dismantle apartheid. One of the principles said that the U.S. companies should "support the ending of all apartheid laws." Sullivan also set a deadline of May 31, 1987, by which all principles should be met or U.S. businesses should withdraw. Even before this deadline, however, the flight of U.S. business has been rapid.

Constructive engagement

Since 1981 the Reagan Administration has followed a policy of constructive engagement toward South Africa. In the belief that South Africa was likely to respond to pressure by becoming more, not less, resistant to change, the Administration has emphasized behind-the-scenes diplomacy. Underlying its policy was the assumption that the U.S. had limited leverage with South Africa and that the U.S. role should be to persuade South Africans to make changes.

Although P.W. Botha did implement changes over the course of five years, the slow pace, the failure to achieve a settlement in Namibia and the outbreak of widespread violence and protest in South Africa have left many convinced that the policy has failed and that South Africa has made no serious progress in eliminating apartheid. Many of these critics had argued from the beginning that constructive engagement was a policy of "all carrots, no sticks" and that the Administration was depending too much on the belief, or the hope, that the white regime did in fact want to end apartheid. In fact, they said, P.W. Botha was just trying to buy time. And while he stalled, time was running out for the U.S. to encourage peaceful change.

Congress' passage of sanctions legislation in 1986 represented a bipartisan consensus that the President's policy was not working. (Congress had come close to passing similar legislation in 1985, but the President had imposed more-limited sanctions on his own authority instead.) What should be the next step for U.S. policy? The principal options currently under discussion are policies that are essentially the same as those that have been debated for the past few years.

■ 1. Constructive engagement plus. Official Administration policy toward South Africa remains that of constructive engagement. The State Department says it will enforce the sanctions, which are law, but it will not use them as a way of pulling out of South Africa. Said Reagan: "It should be our policy to build in South Africa, not to bring down. Too often in the past, we Americans—acting out of anger and frustration and impatience—have turned our backs on flawed regimes, only to see disaster follow."

■ 2. Distance ourselves from the South African government. Opponents of Reagan's policy believe that only blunt actions will catch Pretoria's attention. It is important for the U.S. to make it clear, to South Africa and others, that it does not agree with South Africa's political philosophy, they argue, and such a statement should be made as loudly as possible, preferably through economic pressure. This course is also favored by Archbishop Desmond M. Tutu, 1984 Nobel Peace Prize winner, and Nelson Mandela.

Following are several measures that have been discussed. *Divestiture* is the sale by the owner of shares of stock of a corporation doing business in South Africa. *Disinvestment* is the sale by a corporation of its assets in South Africa. *Economic sanctions* can include prohibitions on trade and so on, but, unlike the latter, they may allow continued U.S. activity in South Africa.

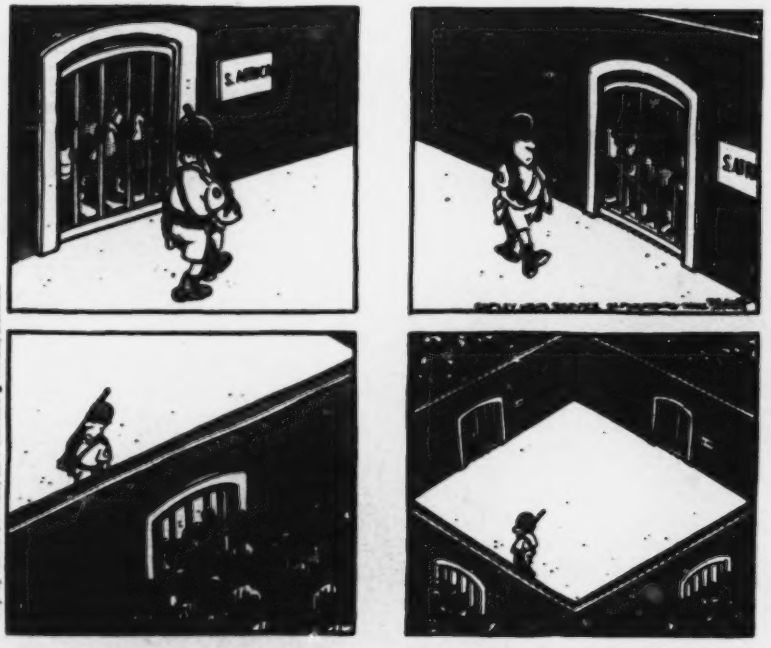
Reagan and Thatcher have been the two most outspoken opponents of sanctions. (Britain is the largest foreign investor in South Africa, with direct and indirect investments totaling an estimated $27 billion.) Explained Reagan, "We do not believe the way to help the people of South Africa is to cripple the economy upon which they and their families depend for survival." The two also argue that sanctions will not work; they believe that history shows them to be easy to circumvent.

Among the new policy choices for the U.S. that are being proposed:

■ 1. Increase aid to democratic groups in South Africa. American civil rights activist Bayard Rustin, the head of Project South Africa, who has argued against disinvestment, urges the U.S. to pour much more money into South Africa to shore up antiapartheid democratic groups. These would include the Black Sash, trade unions, community organizations and religious groups. "Despite the fact that there are literally hundreds of groups, many of them multiracial, most of them committed to peaceful and progressive change, the U.S. government currently spends a paltry sum to help them," wrote Rustin.

Critics argue that such a policy is politically impractical at a time when the Congress is concerned with reducing the Federal budget deficit. Furthermore, they point out that the South African government has the power to cut off such aid whenever it wants, as it did with the UDF.

■ 2. Strengthen ties with black leaders. The U.S. should make more of an effort to identify and assist those black leaders who share U.S. values and could lead South Africa in the future. Advocates of this approach argue that the U.S. has erred in allowing left-leaning groups to unify the opposition to apartheid. They equate the ANC with the Sandinistas, and argue that just as the Marxists gained control of Nicaragua, so will Marxists gain control of South Africa. The U.S. should work to provide non-Communist alternatives and should help establish collaboration among South African black constituencies that are very fragmented.



Copley News Service, St. Petersburg Times, Bennett

Critics agree that the U.S. should support black leadership, but they believe that no leader will succeed with Washington's support alone. Washington should recognize that black leaders must have genuine popular support, and in this case that is Nelson Mandela and the ANC. Critics also believe that by supporting the ANC, the U.S. is more likely to strengthen the moderates in that organization, decreasing the possibility of a Marxist takeover.

■ 3. Economic growth. South African Progressive Federal party representative Helen Suzman, along with many American businessmen, believes that the best chance for peaceful change in South Africa is through economic growth. As a black middle class emerges and as more blacks are educated to fill needed job openings, black political participation will evolve naturally. She notes that the government was successfully pressured into legalizing black labor unions, which she sees as a form of political participation. Supporters of this policy favor the continued involvement of U.S. business in South Africa, which provides South Africans with a positive example to follow.

Critics note that South Africa's economy grew steadily for more than 20 years in the 1960s and 1970s, but there were no major changes in apartheid laws until the violence of the past two years. The Rev. Sullivan has said that his reason for setting a May 1987 deadline for business to withdraw was that if the U.S. could not bring about change in 10 years (the period the Sullivan code has been in effect), it is unlikely to be able to now.

■ 4. The U.S. must negotiate a change. Pauline Baker, senior associate of the Carnegie Endowment for International Peace, has argued that the U.S. must take the lead in pressing for a negotiated transfer of power to a democratically elected government. The U.S. must disassociate itself from P.W. Botha's strategy of reform. She has suggested bringing all parties to the conference table, with the ultimate goal of holding a constitutional convention in two to three years. South African "whites can either bargain now through an American-backed plan from a position of strength or deal later with Soviet-backed revolutionaries from a position of weakness. . .," she wrote.

Critics of a plan such as this fall into two categories. Some doubt its feasibility. They note that the Eminent Persons Group attempted a similar sort of plan without success. Other critics do not think the U.S. should take any part in a plan to bring down a non-Communist regime that is friendly to the U.S.

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South Africa is a country in turmoil. What policies can the U.S. adopt that would help end apartheid and bring about black participation in government?

Opinion Ballot ▶ p. 93

For Discussion

1. What combination of pressures—economic and/or political—is most likely to bring peaceful change to South Africa? Who do you think holds the key to change? The South African government? The ANC? The Progressive Federal party? The U.S.?

2. What does the South African government hope to achieve by its recent reforms of apartheid? How likely is it to achieve these goals?

3. The President does not favor sanctions against South Africa because he believes they will hurt blacks. Yet the President favors covert military activity and sanctions against Nicaragua which hurt civilians. How do the cases differ?

4. Congress has drawn on almost all its constitutional powers, including its right to override a president's veto, in order to put its stamp on U.S. policy toward South Africa. What effect do you think Congress' participation has had? Does it make foreign policy more reflective of public opinion? Does it make it less coherent?

5. U.S. sanctions have not succeeded in bringing about change in Nicaragua, the Soviet Union or Angola. What is the likelihood that they will work against South Africa? Why or why not?

6. White House aide Patrick J. Buchanan has said that it is contradictory for the U.S. to allow Soviet planes to land in the U.S. but not South African ones. Do you think he is right?

7. What effect do you think the appointment of a black ambassador is likely to have on U.S.-South African relations? Should he give priority to improving relations with the ANC?

8. Should the U.S. continue to link Namibian independence to the withdrawal of Cuban troops from Angola?

9. What do you think should be the ultimate aim of U.S. foreign policy toward South Africa? One man, one vote? Black political participation with guarantees of white minority rights? Reform of apartheid?

Suggested Readings

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For further in-depth reading, write for the GREAT DECISIONS '87 *Bibliography (see page 2).*

ILLUSTRATION CREDITS: pp. 45, 49, 50, Reuters/Bettmann Newsphotos; p. 47, UPI/Bettmann Newsphotos.

6 Foreign Investment in the United States

The Selling of America?

SPARTANBURG, South Carolina, faced economic ruin in the 1960s when Swiss and German innovations in technology threatened to make its textile mills obsolete. Unwilling to decline, unable to compete, the leaders of the Chamber of Commerce hit on a novel solution: they began to sell Spartanburg to foreign investors.

Today, Spartanburg boasts more foreign investment per capita than any town in the U.S. But its approach is no longer novel. Towns across the U.S. are competing against each other for the $140 billion of foreign funds that were expected to flow into the U.S. in 1986—into factories, banks, stocks and bonds, and government securities. A sure sign of the times: one of the more popular movies of 1986 was *Gung Ho*, a comedy about the efforts of a town to lure Japanese investors.

One sign of the times

New wealth, new jobs

The sale of America is still a long way off. Total foreign investment in the U.S. was $1 trillion at the end of 1985, less than 10% of the U.S. economy. But in certain industries, and in certain parts of the U.S., the sale is more advanced. Some 40% of the cement industry is now owned by foreigners, as compared with less than 1% 10 years ago. A significant percentage of the new jobs created in the Southeast are in foreign-owned manufacturing facilities.

The foreign capital, or wealth, that has flowed into the U.S. has been of two varieties. The most visible is the $167 billion of foreign direct investment (FDI)—$16.3 billion of it in 1985—which represents the acquisition or purchase of an asset, such as a factory or land. This type of investment is usually long-term and therefore implies a certain amount of faith in the soundness of the U.S. economy. The remainder of the $1 trillion is in less visible and more speculative portfolio investments. Portfolio investments include the purchase of stock in one or more companies (but not a controlling share), corporate bonds and government securities. They also include bank deposits. Portfolio investments are usually short-term, geared more toward an immediate return, and therefore more likely to leave if the U.S. economy falters.

As Spartanburg goes. . .

The business leaders of Spartanburg are pleased with the direction their town has taken. "We are comfortable with our life-style here," said the new head of the Chamber of Commerce. "It's a nice life." They have reason to be pleased. The only thing more numerous than churches in this "buckle of the Bible Belt" is factories. And these factories no longer lack for the most modern technology. Spartanburg's unemployment rate is one point lower than the national average, even while gains in productivity and a lagging textile market cause mills to cut employment.

Clearly, the town has been rejuvenated. Few buildings look more than 20 years old. Only the peaches that are painted on every street sign, and the occasional peach stand, remind a visitor that Spartanburg's industrial parks and neatly laid-out housing communities are built on what was only recently farmland and peach orchards. And to retain its new residents, the leaders of Spartanburg have worked hard to create an appealing life-style for them. The Carolina Country Club was built two years ago by the Chamber of Commerce to provide recreation for the "internationals" who did not want to wait the four years necessary to join the old country club.

Is what is good for Spartanburg, good for the country? Important sectors of Spartanburg's economy are dependent on decisions made by foreigners. How far down this path should the U.S. go?

Some fear that the U.S. has already acquired an unhealthy dependence on inflows of foreign money—notably portfolio investments—which could be withdrawn suddenly, with disastrous results for the U.S. Even direct investment, which is less likely to be suddenly withdrawn, may lead to changes in the makeup of the U.S. economy that may permanently affect its competitiveness. Others fear that foreign countries will use their economic clout to manipulate the U.S. politically. How serious are these concerns? What does foreign investment mean to the U.S. economy and to future economic growth?

A brief history

Foreign capital played an important part in the development of the U.S. in the 19th century. The London financial market, the center of the world's wealth at that time, was a source of capital that helped build U.S. railroads, canals and utilities.

British, French and German investors found the resource-rich but undeveloped U.S. a very lucrative place to do business. The most popular form of investment was the purchase of bonds, issued by states and local governments to finance construction. A full two thirds of foreign investment went into bonds for railroads and utilities alone. Little went into manufacturing because corporations as we know them today—with stock that can be purchased by anyone with money—were then fairly new and rare.

Real estate was also popular. Territories and states encouraged the sale of land to populate areas and to raise money. In the years just prior to World War I, foreign companies owned nearly 35 million acres in the U.S.—roughly the size of the state of Illinois. (By contrast, in 1982, foreigners owned 13.5 million acres.) Since foreign investments in the U.S. at this time exceeded America's minimal investments abroad, the U.S. was a debtor country. This changed with the advent of World War I.

The Great War

The European powers needed large sums of money to pay for World War I. To raise it, they were forced to sell off their worldwide holdings, often at prices favorable to the U.S. investors who bought them up. The European countries also needed loans, and eventually borrowed a total of $16 billion from the U.S. The war reversed the previous flow of money. Instead of going from the Old World to the New, it now went from the New World to the Old. In a short time, the U.S. became a creditor nation.

Dawn of the American age

It took another 30 years for the U.S. to become the major creditor nation, in charge of the largest stock of capital in the world. Britain clung tenaciously to that role until World War II, when it was swamped with war-related debts. U.S. dominance at the end of the war—economic, military and political—ushered in what is popularly known as as the American age.

In the first few years after the war, the U.S. government channeled over $13 billion in aid to Europe under the Marshall Plan to help Europe rebuild its industries. It was only in the late 1950s, as Europe's war-destroyed economies recovered, that private businesses became influential investors.

The growth of U.S. multinational corporations (MNCs) in the 1960s led to great increases in U.S. investment abroad. (A multinational corporation is a company headquartered in one country but with operating affiliates elsewhere.) Multinationals, such as Exxon or Texaco, looked at business on a global scale. Rather than deciding whether to put a refinery in Dallas or Houston, they might choose between, say, Indonesia or Saudi Arabia.

The U.S. economy benefited greatly from its empire of companies. U.S. exports increased because MNC affiliates abroad tend to import supplies from home. The Commerce Department's Bureau of Economic Analysis estimated in 1984 that 77% of total U.S. exports were generated by MNCs based in this country. Repatriated income also became an important part of the U.S. balance of payments.

The size of the multinationals gave them an important role in the economies in which they invested. Wrote Raymond Vernon, author of *Storm Over the Multinationals: The Real Issues* (1977): "For many years, the economies of Jamaica, Venezuela, and dozens of other countries rose and fell on the production and exports of a few American enterprises operating in their economies." Because of this, some came to see MNCs as quasi-political entities, a sort of economic projection of U.S. power.

This led to criticism from both Western Europe and developing countries that American firms were hurting their economies and colonizing them. Attacks on the role of MNCs abroad mounted after the International Telephone and Telegraph Co. scandal in Chile. It was alleged that ITT offered to pay $1 million for the overthrow of President Salvador Allende's socialist government.

Although the image of the all-powerful American MNCs endures today, in reality these companies have been put on the defensive by the rise of foreign MNCs. In 1960, 42 of the world's 50 largest companies were headquartered in the U.S.; in 1985, only 22 were.

Since the 1970s, the U.S. has been a magnet for investment by foreign MNCs, so much so that they have raised many of the same concerns among Americans that American MNCs raised 10 years ago among foreigners. FDI in the U.S. has been accompanied by a surge of portfolio investment, with the result that in 1985 the U.S. was once again a debtor nation. What has caused this flood of investments?

I'll take Manhattan. . .

W.R. GRACE, E.I. DuPont, Shell Oil, National Steel, Motorola. Of these five companies, only Motorola is entirely controlled by U.S. investors. The rest are classified as foreign direct investments of, respectively, West German, Canadian, Dutch and Japanese companies. Even that most domestic-sounding of companies, American Motors Corporation, is actually owned by France. Is the U.S. losing control of its economy?

Yes, though so far only a very small portion of it. The Commerce Department defines a foreign direct investment as ownership of 10% or more of a company's total equity. This arbitrary percentage is chosen because Commerce believes that with 10% ownership an investor can assert some control over a company. Therefore, the $167 billion of assets in the U.S. classified as FDI indicates some degree of foreign control over U.S. companies.

FDI can take a multitude of forms: the complete acquisition of one company by another (Santa Fe Petroleum by Kuwait Petroleum Co.); the purchase of part of one company by another (National Steel by Japan's Nippon Kokan K.K.); the start-up of a new subsidiary (Nissan's new plant in Tennessee) or the start of a joint venture, in which two companies establish a corporation to which each contributes (General Motors and Toyota).

A review of the major foreign investors in the U.S. shows them to be mainly from the industrialized countries with

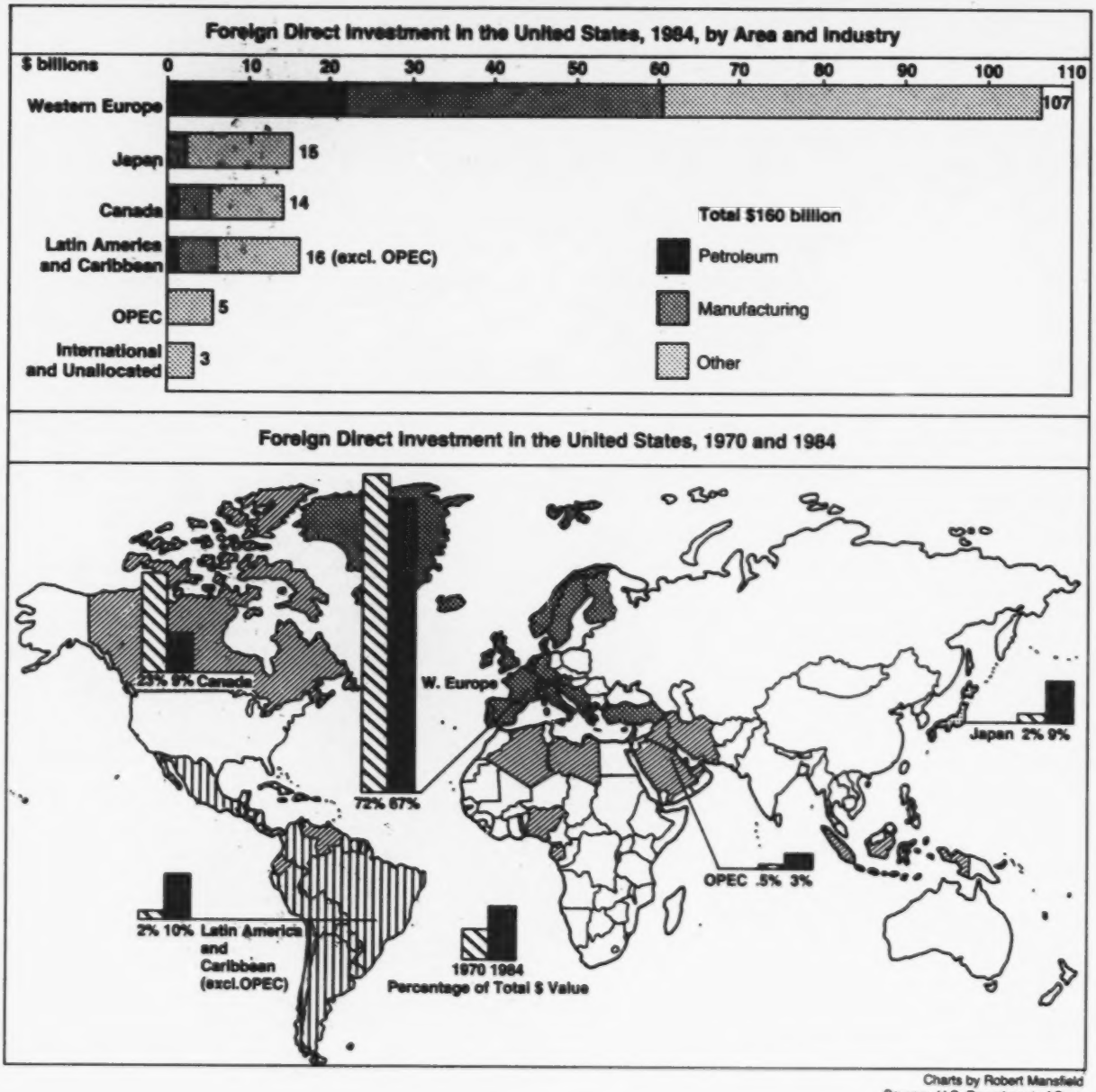
market economies with which the U.S. has friendly relations. British, Canadian, Japanese, Dutch, West German, Swiss and French companies owned 76% of all foreign investments in 1984. The second largest company in the world, Royal Dutch Shell, is a Dutch company, and its purchases of oil reserves in the U.S. make the Netherlands an important investor.

Major non-European investors include Saudi Arabia and Kuwait. Unfriendly countries, such as the Soviet Union and Libya, do hold foreign investments but they are small. One of Libya's U.S. investments, for example, is the $13 million Libyan diplomatic mission building in New York City.

Given the small percentage of U.S. property owned by foreigners, and the friendly nature of the owners, the questions raised by this issue are not so much what danger do such investments pose to the U.S., but rather: Why have they invested in the U.S.? What does that say about the U.S. economy?

The major inflow of direct investment into the U.S. began in 1978. At that time, high inflation and high interest rates had reduced the dollar's value to a record low compared with other currencies. European investors saw that Americans were cutting back on imports because they needed more dollars than ever to buy them. They realized it would be less expensive for foreign companies to start up their own factories or subsidiaries in the U.S. than to export to Americans. From 1978 to 1981 the volume of FDI grew 33% a year; the number of major new purchases (defined as an investment worth $100 million or more) jumped from 3 to 51.

The cheap dollar made the timing right; other American qualities made the investment right. The U.S. is the largest consumer market in the world. Its workers are well-trained and well-educated.



Charts by Robert Mansfield
Source: U.S. Department of State

Fujitsu brings some of its U.S. employees to Japan for training.

The high wages which prompted some U.S. firms to move abroad did not daunt European investors since they sought a piece of the U.S. market, not cheap labor. Furthermore, investors from heavily unionized countries, such as West Germany or Austria, found American workers less expensive and more flexible than their own.

Dealing with the superdollar

One result of this transfusion of money from abroad was that the dollar began to strengthen. The fact that the dollar was so much in demand pushed up its value. By 1984, the "superdollar" had reached a record high and Americans could purchase more British pounds, and more British goods, than ever before. Most foreign investors found that it was now cheaper to export to the U.S. than to buy a factory here.

European investors slowed the pace of their purchases, but the attractiveness of the U.S. market prevented them from stopping altogether or from selling off the assets they already owned. (Anyway, a drop in the dollar—such as took place in mid-1986—would make those assets lucrative once again.)

The Japanese were in a more difficult position. Up until the rise in the dollar they had not been major investors in the U.S. But anger in Congress over the success of Japan's exports to the U.S. and the threat of protectionist legislation raised the possibility that the Japanese might lose their major market. In response, they stepped up their direct investment in the U.S.

Investments by the Japanese in manufacturing grew by 40.3% between 1983 and 1984, compared with 6.2% by the Europeans. As Tufts University Professor Lawrence G. Franko observed, ". . .Because our Western governments prefer Japanese investments to Japanese goods, Japanese firms and managers themselves are coming in a wave of multinational investment." The Japanese have become such major investors that Honda is now the fourth largest automobile manufacturer in America.

Take my town, please

Foreign investment has also surged in response to active recruitment by states and cities. Thirty states have offices in Tokyo to solicit investments. The Commerce Department has an "Invest in the USA" program, which runs seminars overseas. State representatives take part in the seminar and try to lure business. The field is more crowded now than ever. Clearly some states do better than others.

Smyrna, Tennessee, has been in the headlines because of its successful pursuit of a $300 million Nissan pickup-truck assembly plant. Nissan looked at 64 sites in eight states before choosing Smyrna. As bait, Smyrna offered Nissan $350 million in low-interest development bonds. But Nissan undoubtedly was also swayed by the positive experience of the other Japanese firms in the state and the active interest Tennessee has taken in recruitment. The governor of Tennessee has visited Japan seven times. Tennessee's aggressive wooing has won it 12% of all Japanese corporate investment in the U.S.—a total of 29 companies.

As is often the case when old money views the newly rich, the leaders of Spartanburg appear to think Smyrna's tactics are a little, well, crass. Spartanburg prefers to use a sort of international "old boy" network, in which older investors lure new ones. For example, Sulzer Ruti, a Swiss textile-machinery manufacturing firm, was one of the first foreign investors in Spartanburg. It located there in 1962 to sell more easily to one of the major U.S. mills, Milliken Textiles. (Its founder, Roger Milliken, lives in Spartanburg.)

Other Swiss firms followed. Luciano Cont, Sulzer Ruti's president, explained: "Others said, 'what's good enough for Sulzer is good enough for us.' " Today, Cont is a member of Spartanburg's newly formed International Chamber of Commerce, and he will solicit business for Spartanburg on his visits to Switzerland. Most of Spartanburg's investors are Swiss or German.

Benefits

Foreign investment has brought changes to the U.S., many of them positive. The most important benefit has been jobs: more than 2.5 million people are employed by foreign firms. British firms (not including banks) are the largest employers, with 560,300; then Canadian firms, 456,100; then West German firms, 350,500; and then Japanese, 162,300. Some of the jobs are newly created; others, jobs that have been saved. For example, the French government, through its investments in the perennially unprofitable American Motors Corporation, has been able to keep the factory doors open.

The states where foreigners invest the most money are not necessarily the ones that have the most foreign-created jobs. Texas, because of its oil reserves; New York, because of its real estate; and California and Massachusetts, because of their hi-tech companies, are among the states that have captured the largest amounts of foreign investment. But it is the Southeast that has done best in capturing factories and the jobs that go with them. Twenty-five percent of foreign jobs are concentrated in this region. Both investors and state representatives acknowledge that a big reason is the low union membership in these states. By contrast, more heavily

unionized New England has received only 6% of foreign nonbank jobs.

Most foreign investors, particularly the Japanese, hope that the creation of jobs for Americans will help diffuse any pent-up feelings against their companies or countries. This is one reason foreign companies tend to employ Americans—even in management positions—rather than import their own nationals. Nissan, for example, has brought in only 15 people from Japan to work in its Smyrna plant.

How is working for a foreign firm different from working for an American one? There is no clear consensus. Promotion opportunities are probably scarcer at foreign firms. Bruce King is an American who is vice-president for finance and administration for the German company SEW-Eurodrive. He acknowledges freely: "There is no promotion possibility for me. The president will always be German." Some do not like being judged by a different culture's standards or being so far from headquarters. Some union leaders have testified before Congress that they have found it more difficult to negotiate with foreign-owned companies because the boss is based overseas. But many believe these disadvantages are offset by the creation of jobs, and the possibility of learning about better management techniques or technology.

Advocates of FDI note that much of it (32% by the end of 1984) has gone into manufacturing, and they hope that the introduction of new ways of doing business will help make the U.S. more competitive. For example, the Japanese steelmaker, Nippon Kokan, bought up half of the National Steel Corporation in 1984. National was one of the more successful U.S. steel companies, but it was facing trouble nonetheless. One of the most striking changes in National Steel since its acquisition by Nippon Kokan was the successful negotiation of a labor contract. In many ways, the contract reflected what are thought to be Japanese values. National promised its workers job security, and the United Steel Workers agreed to a 6.4% cut in wages. Said one union official, "Our focus is not on whether there is a joint venture or not, but whether there is a steel industry or not." National Steel has also embarked on its first modernization in 50 years, thanks to foreign money. For Nippon Kokan, a major benefit of this purchase was the opening of a new steel market at a time when its home market was slumping.

Another benefit of FDI is that foreign purchases of buildings and land have given new life to a number of American cities. South Korean and Japanese money has been pouring into Las Vegas to rebuild the casinos. A Saudi Arabian investor has been building a large office complex in Salt Lake City. Some credit New England's renaissance to its ability to attract foreign investors.

Spartanburg is now seeking hi-tech investments, such as this fiber optics plant.

Another Canada?

Foreign investment raises some difficult questions. Primarily, critics question the effect on the economy of having a substantial percentage of it under foreign control. They point to the experience of Canada.

Canada has historically been a major recipient of foreign capital. In the 19th century, most of that capital came from Europe; in the 20th century, from its neighbor to the south. By the 1970s, over 30% of Canada's economy was owned by outsiders. Many Canadians believed foreign ownership was damaging their economy.

One study of the pharmaceutical industry showed how the marketing efforts of large multinationals swamped local producers, who either went bankrupt or sold out. Little technology transfer took place; instead, Canadians wound up in low-paying service jobs. MNCs centralized research and development (R&D) efforts in their home country—usually the U.S. As a result only a small amount of R&D funds was spent in Canada. In 1974, Canada began carrying out stringent investment restrictions regarding foreign investors, many of whom subsequently pulled out. (Whether these restrictions have helped or hurt the Canadian economy is sharply disputed. In 1986 some of the rules were revised.)

Critics' concerns

The U.S., with FDI at 4% of its gross national product, is a long way from following in Canada's footsteps. Nonetheless, even the most enthusiastic proponents of foreign investment want to avoid Canada's experience. The doubters include Gov. Richard D. Lamm of Colorado, who said, "We have to ask ourselves how much we can afford." (Some of the most outspoken opposition to FDI has come from the West. Lamm attributes this to the West's early history of being controlled by the Northeast.)

Chief among critics' concerns is the fear that foreign investors will undermine U.S. competitiveness. For example, in nine out of ten cases, foreign investors acquire an existing American plant rather than establish a new one.

Not only does this mean less transfer of technology to the U.S., critics say; it may actually mean the loss of a plant's proprietary information to the new foreign owners. In one controversial case, New Hampshire Ball Bearings Co. was bought by its Japanese competitor. Critics felt the result would be a "technology drain" from the U.S. to Japan that might hurt U.S. security because of the military aspects of the company's work. Chief of intelligence William J. Casey has described Japanese investments in the U.S. computer industry as "Trojan horses," implying they were made for the purpose of buying U.S. information.

Critics of foreign investment are also concerned that foreign investors will compete unfairly against U.S. business and will hasten the decline of successful American firms. They cite the example of the banking industry.

In the past few years, foreign banks have become increasingly active lenders to American business. Australian, British, Canadian, Japanese and West German banks have acquired a large share of that lucrative market—18.3% in 1983 compared with 7.6% in 1973. Critics claim that foreign banks, which are regulated by their home country, face fewer restrictions than do American ones. Many have smaller capital requirements than American banks. A Japanese bank that has the same capital base as an American bank will be able to lend more money. That same Japanese bank will also have to pay less interest to its Japanese depositors. This gives the Japanese bank a competitive advantage.

Another concern that critics raise is the likely political influence of foreign investors. The Federal Election Campaign Act of 1974 forbids a foreign national from "directly or through any other person" making a contribution to an "election in connection with any local, state or Federal public office." Nonetheless, political action committees (PACs) formed by the American employees of foreign companies have played a part in some campaigns. In 1984 they donated more than $1 million to congressional campaigns, twice the 1982 amount. Some of the biggest spenders were the Seagrams PAC, which gave $162,000; the Shell Oil PAC, $186,800 and Sandoz, $251,000.

So far, the political issue that appears to be of most concern to the foreign PACs is taxation. For example, a Dutch PAC contributed $726,000 in a successful effort to defeat a proposed oil tax in California. But foreign companies have branched into other issues as well. Senator James R. Sasser (D-Tenn.) reportedly antagonized Nissan by his unwillingness to take a position on legislation that would require cars sold in the U.S. to have a certain percentage of domestically made parts. During Sasser's campaign for reelection, Nissan contributed to his opponent. Sasser was reelected, nonetheless.

Portfolio investments: the challenge of Japan

EVERY THURSDAY the U.S. government auctions off bonds and Treasury bills to help pay off the Federal deficit. These securities can be bought by anyone with enough money—a drug smuggler with some extra cash or a widow looking for a safe investment. They have been most popular with the Japanese, who bought up some $53.5 billion in 1985, and are footing the bill for 25% of the U.S. deficit.

This sort of investment is related to, but of quite a different character from, a foreign direct investment. Unlike FDI, which is usually made by corporations, portfolio investments are often made by governments or wealthy individuals. They are volatile, and can be switched at the press of a button on a broker's computer. They attract those who wish to earn as quick a profit as possible on their funds. Thanks in part to its large Federal deficit, the U.S. has been the most attractive place for portfolio investors for the past several years.

To raise the money to help finance the deficit, the U.S. government issues securities. (The most popular are called T-bills or Treasury bills, the basic security issued by the Treasury. They have short maturities—3 months or 6 months—and can be bought in packages of $10,000. Seven-year Treasury bonds are also popular.)

Were the deficit not so large, or Americans' savings rate higher, U.S. investors would have had the necessary capital to buy up the securities being auctioned off. But there was a shortfall between what Americans could afford and what the government needed. This shortfall was made up by foreign investors, who were attracted to the U.S. and its high interest rates.

This is the major reason portfolio investments in the U.S. have been increasing rapidly every year since 1981 and are the fastest growing sector of foreign investment. (Other attractions are the U.S. stock market and the stability of its political and economic system.) In 1984, 86% of the net flow of capital into the U.S. was for some sort of portfolio investment, mainly purchases of securities (33.9%) and bank deposits (22.8%). Only 13.8% came for FDI.

The U.S. has benefited greatly from the inflow of portfolio investments. Because of them, the Federal government, businesses and consumers have had access to capital they would not otherwise have had without even higher interest rates or higher taxes.

At the same time, portfolio investments raised the value of the dollar, hurting the U.S. competitive trading position in world markets. This has been reflected in record U.S. trade imbalances. The merchandise trade balance, which measures trade in goods, has been in deficit since 1975. By 1985 it had dropped to depths never before seen. (A broader measure of U.S. competitiveness, the current account balance, has also dropped into a record decline.)

Japan's new role

One third of the 1985 U.S. merchandise deficit of $149.5 billion was with Japan. Many economists predicted that such a trade deficit would lower the value of the dollar. A trade deficit means that countries are selling more to the U.S. (and receiving more dollars) than they are buying from the U.S. (spending dollars). These countries run up a surplus of dollars, which they then exchange for the currency of a country from which they want to import. That is, if

Japan does not want to buy American apple pies but does want to buy German cuckoo clocks, it will have to take its surplus dollars and change them into deutsche marks. As countries sell off the dollar, its value will decline.

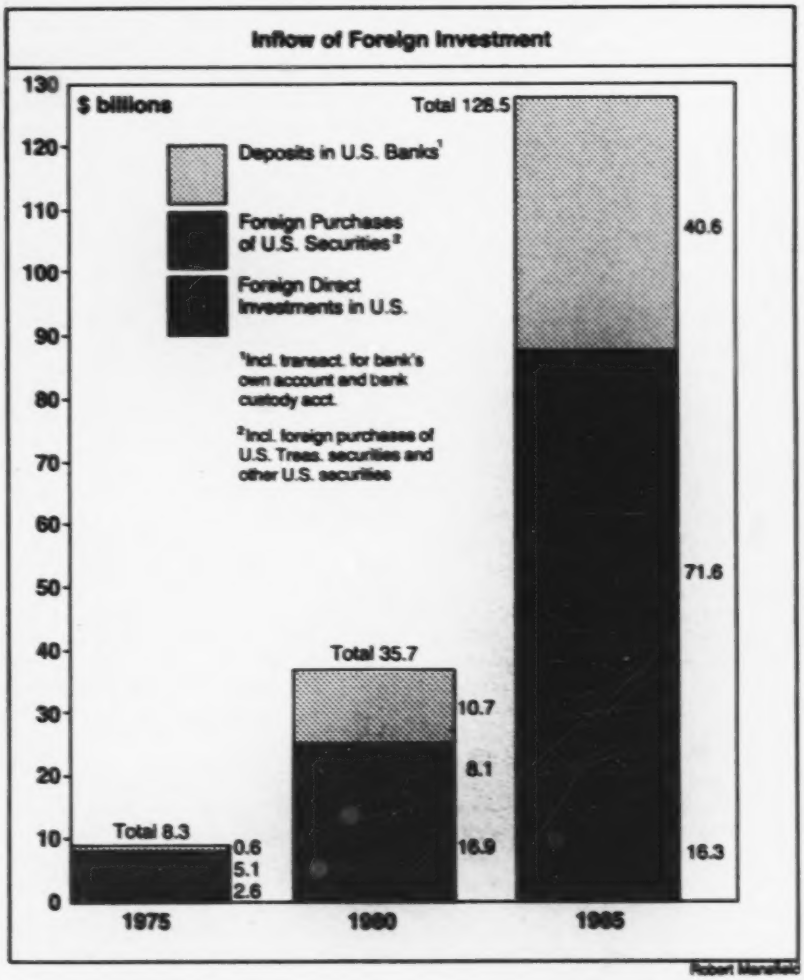
The expected did not happen. Japan did not want to spend its dollars on U.S. imports, but it did want to buy U.S. assets, and the large inflow of money continued to push up the value of the dollar. The U.S. then found itself in the worst of all possible positions, with a high dollar and a high trade deficit. The situation did not begin to right itself until the autumn of 1985, when the markets began to recognize the problem and the major industrialized powers agreed to take steps to lower the value of the dollar. By that time it had become clear, however, that Japan's decision to invest or not invest in the U.S. could have important ramifications for the U.S. economy.

OPEC of the 1980s

How was one country able to have such an effect on the U.S.? The answer is that Japan, following a series of trade surpluses with the world (an estimated $85 billion for 1986), found itself with a supply of surplus capital on its hands that rivaled the amounts the Organization of Petroleum Exporting Countries (OPEC) had in the 1970s. With the high savings of Japanese citizens at its disposal as well, Japan became the world's major capital exporter—in effect, the OPEC of the 1980s.

The OPEC surplus had a revolutionary effect on the world economy in the 1970s because oil-rich countries chose to deposit much of their savings in banks and, in the process, greatly expanded the role banks play in the world economy. For reasons discussed below, Japan chose to invest much of its surplus money in the U.S. This helped the U.S. economy greatly, but worried those who feared that the U.S. would become too dependent on Japanese investments. What made the U.S. so attractive to the Japanese?

The major attraction is that Treasury bills, for now, offer better yields than do Japanese securities. Some fear this means that the U.S. will be forced to keep its interest rates high. "The market will correct itself to whatever it perceives the preferred Japanese interest rate to be," said Michael J. Moore, a managing director of a large British-owned securities firm. Each major Treasury issue provokes concern that the Japanese will pull out. Onlookers breathed a sigh of relief when Japan bought $8 billion of the $18 billion worth of long-term bonds at a major Treasury Department auction in May 1986. But as interest rates fell that autumn, newspapers ran almost daily reports on Japan's mood.



A second reason the Japanese look abroad to spend their money is that there are no tax incentives to spend it at home. For example, they do not get a deduction for paying a mortgage, so it is more lucrative to buy real estate abroad. Even aside from the absence of tax incentives, their spare way of living leaves them money to spend abroad.

Third, the Japanese government has been encouraging these purchases in an effort to maintain good relations with the U.S. For example, in 1969 the Ministry of Finance forbade life insurance companies to invest more than 10% of their assets in foreign securities. In March 1985, the Japanese government raised the amount to 25%. Since the insurance companies are major investors, this gave a big boost to Japanese foreign investment.

Finally, the U.S. has been encouraging purchases of government securities. In July 1984 the 30% withholding tax on interest earned by foreign buyers was repealed. Also, for the first time in its history, the Treasury Department issued a special class of government securities to be purchased by foreigners—designed in part to offer secrecy to foreign buyers. (In the past Treasury had not favored such issues because it feared that they would make tax evasion easier.)

U.S. as debtor

The effect of this flood of money has been to turn the U.S. into a debtor nation. The speed with which it happened has been startling. As recently as 1982 the U.S. had an international investment surplus of $147 billion. By June 1985, it had a deficit of $6.5 billion.

It is too soon to know whether this is a permanent transformation. By mid-1986, U.S. investment abroad had in-

creased as the dollar dropped in value, so the U.S. may regain its creditor status. Even if it does not, public handwringing aside, no one really knows how bad it is to be a debtor. As Tevye described the virtue of being poor in *Fiddler on the Roof*: "It's no great shame, but it's no great honor either."

On the positive side, because all the debt is in dollars, the U.S. is in a uniquely advantageous position. The Federal Reserve Bank regulates the supply of money and could increase the supply of dollars, if necessary. By contrast, debtor nations such as Brazil and Mexico cannot pay back their debts in their own currencies. They must first convert their currencies into dollars. But if the value of their currencies declines, which it often does under such circumstances, it can have the effect of greatly increasing the actual debt since they must convert that much more currency.

Economist Peter F. Drucker has suggested that it is Japan, and not the U.S., whose economy is vulnerable because Japan has invested much of its money in dollar-denominated assets. These lose their value when the dollar's value drops. Japan's dependence on the U.S. market also makes it vulnerable. Claims Chrysler Chairman Lee A. Iacocca, "America depends on Japan for almost nothing, but Japan depends on America for 86% of its trade surplus and all the jobs that go with it."

The negative side to being a debtor is that over the long term the U.S. would be forced to pay out large sums of interest and profits and would be, in effect, transferring its wealth outside the country. To get some idea of the magnitudes involved, consider the following: the U.S. earned $353 billion on the $80.5 billion it invested worldwide from 1948 to 1985. It might be forced to pay out similar sums to foreign investors in the decades to come.

Critics are concerned that the U.S. is "addicted" to foreign capital and is living beyond its means. Without the inflow of money the U.S. would probably be forced to make deep cuts in the Federal deficit. Instead, the U.S. continues to spend, but with money provided by foreigners. As Rep. John Bryant (D-Tex.) puts it: "America has been selling off the family jewels to pay for a night on the town." As if that were not bad enough, critics argue, U.S. business is not even spending the money productively: instead of building new factories, companies have financed costly takeover battles.

Critics are also concerned about the volatility of the money. On July 19, 1985, the value of the Italian lira dropped nearly 20% against the U.S dollar in one day because of concerns that the lira might be devalued. Analysts worry that fears concerning the U.S. economy, prompted perhaps by a default by a major debtor to a bank, could prompt a sudden withdrawal of funds from the U.S. that could hurt the economy. Cautions Stephen E. Thomsen of the International Economic Policy Association: "Were the U.S. economy to be headed for a recession at the same time as the exodus of foreign capital, the double effect could bring on the worst depression since the 1930s. . . ."

A further concern is that the U.S. is drawing on other countries' savings that would otherwise go to less-developed nations. Warned Chairman of the Federal Reserve Paul A. Volcker, ". . .It is clearly not healthy for the largest and richest country in the world. . .to use up so much of the world's savings. . . ." The current account deficit of less-developed countries has dropped to levels not seen since the 1960s. This is because developing countries are exporting more capital than they are receiving. (Bank lending has dropped greatly since the debt crisis of the 1980s.)

A related concern is that the U.S. is turning into an illicit haven for ill-gotten capital. Some of the money lent to foreign governments has been stolen by unscrupulous leaders and stashed in the U.S. in private bank accounts and investments. The exposure of the investments of Philippine President Ferdinand E. Marcos and Haitian President Jean-Claude Duvalier in the U.S. were dramatic illustrations of this point. Other money, while not stolen, is nonetheless leaving poorer countries as a reaction to high inflation or overvalued exchange rates.

Capital flight robs the people in these countries of sorely needed money and it is also a waste of U.S. aid, which is essentially being recycled back to the U.S. According to estimates by Morgan Guaranty Trust Co., as of year-end 1985 Mexico's debt would have been $12 billion, instead of $97 billion, if Mexican assets held abroad had been repatriated. Similarly, Argentina's debt would have been $1 billion instead of $50 billion.

U.S. policy: What should be done?

THE EXPOSURE of President Marcos' illicit American fortune was disturbing not only because of its existence, but because it had appeared to escape detection by those American agencies that are supposed to monitor the $1 trillion in foreign investment in the U.S. The U.S. found out about it only because of questions from the new Philippine government. Should the U.S. reconsider its policy toward foreign investment?

The basic premise of U.S. policy is that there should be an open international system in which governments treat domestic and foreign-owned enterprises alike. The U.S. does not screen foreign investors and it has one of the most open capital markets in the world. President Reagan said of foreign investment in 1983: "We believe there are only winners, no losers, and all participants gain from it."

Certain industries are off limits to foreign investment for national security reasons. Nuclear energy is completely restricted; communications, partially. Defense Department officials have been much less enthusiastic than the rest of the Reagan Administration in embracing open foreign investment. "There are security implications that it's pointless to ignore," said Richard N. Perle, assistant secretary of defense for international security policy, who reportedly favors increased restrictions.

The only other restrictions now in existence date back to the 1970s and reflect the concern of the time that OPEC would gain undue influence over the country. The restrictions include:

- 1974 Foreign Investment Study Act, which authorizes the Commerce and Treasury departments to collect information on foreign investments in the U.S.;
- 1977 Department of Energy Organization Act, which requires a comprehensive review of foreign investments in the domestic energy industries;
- 1978 Agricultural Foreign Investment Disclosure Act, which requires foreigners to register their purchases of U.S. agricultural land with the Federal government.

In addition, the Commerce Department is charged with monitoring foreign direct investment and the Treasury Department with monitoring portfolio investments. The information is then published periodically, though in the case of portfolio investments, purchases by individual countries are often not separated.

For example, the Treasury Department lumps together all OPEC purchases in one column. If you want to know exactly how much Libya owns, you can't find it, only total Mideast holdings. This practice dates back at least to the 1970s, when the Saudis, whose massive purchases of U.S. securities were helping to shore up a weak dollar, threatened to sell their holdings if their exact ownership was released. The Saudis' desire for anonymity stemmed from a concern about retaliation, both from their home country and the U.S.

■ 1. Should the U.S. increase its reporting restrictions? Yes, say those who fear that too much money is entering the U.S. without its knowledge. They point to a discrepancy of $115 billion found in the reports on the flow of money into and out of the U.S. between 1979 and 1983. Marcos, they point out, was able to shield knowledge of his purchase of properties in New York by using New York realtors as front men. "If we are to allow extraterritorial interests to exercise power over our lives, then we should, at least, be able to identify these interests and measure their grasp," L. Calvin Moore, vice-president of the Oil, Chemical and Atomic Workers International Union, testified before Congress. One proposal, by Rep. Bryant, would expand reporting requirements to include all investments worth $100,000. The identity of the ultimate beneficiary would also have to be disclosed.

Those who do not favor increasing restrictions, such as the Commerce and Treasury departments, argue that the U.S. already requires a lot of reporting. It will never be possible for an economy as open as that of the U.S. to monitor all transactions across its borders. The discrepancy of $115 billion is actually a fairly small amount given the size of the economy. Increasing restrictions are only likely to scare off foreign investors, which would be bad for the economy. Furthermore, foreigners are already prohibited or limited from participating in certain sensitive industries.

■ 2. Should the U.S. consider imposing restrictions on foreign MNCs? Yes, say those who believe that multinational investment will play an important part in the economy and should be closely watched to ensure that American values and living standards are not affected. In enacting some sort of restriction, whether it be a requirement that a certain percentage of the work force be American or that a defined percentage of a company's R&D be conducted in America, the U.S. would be doing what almost all other countries already do. Some have suggested that Japan's own success is due to the fact that for a long time it would not allow any investment by MNCs at all.

LET ME EXPLAIN WHY AMERICA IS NOT REALLY A DEBTOR NATION
ALL THE "DEBTOR NATION" TALK IS BASED ON THE HUGE TRADE DEFICIT
BUT THAT DEFICIT DOESN'T COUNT ALL THE FOREIGN INVESTMENT COMING INTO AMERICA
FOREIGNERS ARE BUYING UP AMERICAN FACTORIES, FARMS AND REAL ESTATE...
AND IF THEY CONTINUE AT THE CURRENT RATE...
PRETTY SOON THE DEBT WILL BELONG TO THEM!
WASSERMAN

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Those who disagree argue that MNCs have proved beneficial to the U.S. economy, and any measures that restrict their behavior will discourage their investment and hurt the U.S. economy. They point to the mass exodus of business and investment from Canada that took place following the passage of Canada's stringent investment laws. Furthermore, they say, because foreigners invest here to win the U.S. market, it is in their interest to promote goodwill. Therefore they are not likely to try to harm the U.S. economy.

A related issue concerns reciprocity legislation. One such piece of legislation was recently submitted by Rep. Bryant that would limit foreign investment to countries that allow reciprocal investment opportunities to Americans.

■ 3. Should the U.S. pass reciprocity legislation? Advocates say that this is the best carrot the U.S. has to encourage a more open global investment policy. "The only way that we can control whether or not we are afforded equal opportunities in trade and commerce is through access to our own market," economist Ronald L. Danielian writes. It is only fair, supporters of reciprocity say, that where there is persistent denial of U.S. investment, the U.S. should deny investment in return. For example, it is not fair that Kuwait, which has nationalized its energy industry, is allowed to own 100% of Santa Fe International, a $4 billion California-based company with substantial U.S. petroleum assets.

The Reagan Administration has disagreed with reciprocity, arguing that it is difficult to enforce fairly. Many less-developed countries have erected barriers to U.S. investment. To force them to allow the entrance of U.S. MNCs might swamp their economies, whereas the large U.S. economy is more than able to handle incoming foreign MNCs. The Administration has proposed an alternative policy of nondiscriminatory treatment. The basic tenet is that foreign investors should be treated no less favorably than domestic investors in like situations.

★ ★ ★

Foreign investment in the U.S. is growing and is likely to play an increasingly important role in the economy. Americans will have to decide how much is enough—and on what terms.

Opinion Ballot ▶ p. 93

For Discussion

1. At what point would you say that there is too much foreign investment in the U.S.? How would you arrive at that judgment? What action do you favor?

2. Some sectors of the economy are off limits to foreign investment. Should additional sectors be proscribed? If so, which ones?

3. In what ways have foreign investments benefited—or harmed—the U.S. economy? the U.S. consumer? Do you think portfolio or direct investment is likely to have a greater effect on the economy? Why, and what effect?

4. The "American age" was based on U.S. economic power. Now that Japan rivals the U.S. as a major economic power, how do you think that will affect their respective political roles in the world? Will Japan enjoy greater political influence? If so, how will that affect the U.S.?

5. Do you think the U.S. should allow countries that restrict U.S. investments to have unrestricted access to holdings in the U.S.? If not, what steps would you favor?

6. Do you think there should be greater U.S. government regulation of foreign investment? more reporting requirements?

7. In the past, the U.S. government has tried to use American investment abroad to affect foreign political behavior, such as when it pressured European subsidiaries not to sell pipeline equipment to the Soviets. If the U.S. subsidiary of, say, a European MNC were told by the foreign government not to sell to a U.S. customer, would the U.S. consider that interference in its internal affairs? a violation of the U.S. Constitution?

8. If a company has a choice between using foreign money to upgrade its physical capital and using its own, which should it choose?

9. Do you think foreign firms' PACs in the U.S. should be allowed to lobby Congress on U.S. policy issues?

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For further in-depth reading, write for the GREAT DECISIONS '87 *Bibliography (see page 2).*

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7 Pakistan and Afghanistan

Storm over Southwest Asia

THE RETURN TO PAKISTAN in the spring of 1986 of Benazir Bhutto, the 33-year-old daughter of Pakistan's former prime minister, Zulfikar Ali Bhutto, posed the most serious challenge to the government of President Zia ul-Haq since he assumed power in 1977. Rising opposition to Zia appeared to jeopardize the country's return to democracy, which had begun with the abolition of martial law on December 30, 1985.

The U.S. was suddenly faced with the prospect that Pakistan, its most important ally in Southwest Asia, could be entering a new phase of prolonged political instability that could end with a downgrading of bilateral ties.

Pakistan's importance to the U.S. has increased substantially since the Soviet invasion of Afghanistan in December 1979. This invasion caught the U.S. by surprise and coincided with other reversals for U.S. diplomacy in the area. Shah Mohammad Reza Pahlavi's government in Iran had collapsed the previous January, removing an important pillar of American influence, and the U.S. was preoccupied with trying to free its hostages, seized at the American embassy in Tehran in November 1979. The U.S. had little direct interest in Afghanistan as such. It feared, however, that the Soviets might try to use it as a springboard to threaten the oil-producing countries of the Persian Gulf.

Afghan resistance fighter on guard duty

It was this strategic threat that made the Soviet invasion of Afghanistan so serious and highlighted the importance of Southwest Asia—a loosely defined region stretching from Iran and the Persian Gulf to India that shares a Persian cultural heritage. For the first time since World War II, the Soviet Union occupied a nation outside of its sphere of influence in Europe. The invasion put countries such as Iran and Pakistan on notice that they might be future targets for Soviet intervention. It also served as a warning to the Soviet Union's own large Muslim population that "militant Islam" was not welcome.

At the time of the invasion, U.S. relations with Pakistan were at an all-time low because of American disapproval of Pakistan's nuclear program. To respond to the Soviet challenge, the U.S. embarked on a crash program to fortify Pakistan with economic and military aid. Pakistan's staunch opposition to the Soviet occupation has made it a key U.S. ally in a volatile region. Without Pakistani cooperation, the U.S. would find it almost impossible to lend more than verbal support to the *mujahideen*, the insurgents fighting against the Soviet-backed Afghan government.

Solidarity with the U.S., however, has exposed Pakistan to Soviet retaliation. So far this has been expressed in threats and numerous cross-border raids. The ultimate punishment, however, would be for the Soviets to assist in the breakup of Pakistan.

For its support of U.S. policy, Pakistan demands a price. This price is aid for Zia's government and a willingness, for the time being, not to allow U.S. unhappiness with Pakistan's nuclear program and lack of democracy to poison relations.

U.S. favoritism toward Pakistan makes it difficult to carry out an even-handed regional policy. India, the largest country on the subcontinent and the world's largest democracy, resents U.S. military aid to Pakistan, which may one day be used against it. India has good relations with the Soviet Union and did not join the international chorus of criticism over the Afghanistan invasion.

Ronald Reagan's Administration has made aid to Pakistan and the Afghan rebels a high priority. While there is broad support for its stand on Afghanistan, U.S. policy toward Pakistan has

been subject to continuing criticism, particularly in Congress. Many question whether it is in the U.S. interest to continue to be closely identified with Zia's government. U.S. support for Zia, an authoritarian military ruler, bears an uncomfortable resemblance to past policies that ran into trouble in other countries. Pressures have grown to make U.S. aid to Pakistan conditional on the restoration of democracy and the halting of Pakistan's nuclear program. But is there an alternative to Zia, and would Pakistan accept such conditions?

In Afghanistan, a military standoff continues between the Soviet-backed Afghan government and the mujahideen. United Nations–sponsored negotiations to end the conflict are deadlocked. The U.S. must decide how strongly to support these negotiations, and what kind of support—military or diplomatic—would be most effective for the mujahideen.

The search for identity

WHEN THE BRITISH IN 1947 abandoned the empire they had ruled in the subcontinent since the late 18th century—the "jewel in the crown"—they split it into two sovereign states, India and Pakistan. Pakistan was created as a refuge for Muslims who feared they would be persecuted in Hindu-dominated India. Islam was supposed to be a unifying factor in a state fraught with political, economic and ethnic rivalries. Instead Islam itself became a source of divisiveness.

Pakistan was composed of two halves. West Pakistan was centered in the western portion of the province of Punjab, whose main city is Lahore. East Pakistan, 1,200 miles away, was centered in the eastern part of the province of Bengal, whose main city, Calcutta, is in India. Pakistan's two halves never worked well together due to cultural and linguistic differences and the economic domination by the western half. East Pakistan broke away after a bitter civil war in 1971 and, with Indian assistance, became the new state of Bangladesh. The secession of Bangladesh reinforced the fears of many Pakistanis that their country was an artificial entity that could not last.

Pakistan is more of a loose federation than a state. It is composed of different ethnic groups and tribes identified with four major regions, each with its own personality. The Punjab, fertile and prosperous, has always dominated the other regions politically and economically. Punjabis constitute 58% of Pakistan's population. Sind, whose major city is Karachi, is a poor agricultural province still ruled by large landlords (like the Bhutto family). The North-West Frontier Province, which adjoins Afghanistan, is a rugged area dominated by Pushtun (or Pathan) tribesmen that have always resisted central rule. Baluchistan, the largest province, is a poor, arid, underpopulated area bordering Iran.

Political heritage

Pakistan's founder and first president, Mohammad Ali Jinnah, wanted the new country to be a constitutional democracy. Muslim religious leaders, or *ulama*, who were originally opposed to dividing the faithful between India and Pakistan, lobbied for the new country to be governed according to Islamic law (*sharia*). There has been no consensus on how to reconcile the twin goals. Pakistan's constitution, which took nine years to hammer out, called for a modern parliamentary democracy with a few concessions to Islam (for example, the state was to be termed an "Islamic republic").

Constitutional democracy has been the exception, not the rule, in Pakistan. For most of the years since independence, the military has held sway, notably generals Ayub Khan (1958-69), Yahya Khan (1969-71) and Zia (since 1977). Political parties were never given the chance to mature into broad-based organizations. The military mistrusted politicians and regarded them as catering to narrow constituencies rather than promoting the national interest. Politics in Pakistan has always revolved mainly around personalities, not parties.

The national elections held in December 1970 resulted in victory for Zulfikar Ali Bhutto's Pakistan People's party (PPP) in West Pakistan and Shaykh Mujibur Rahman's Awami League in East Pakistan. The Awami League won a majority in the National Assembly and Mujib expected to be the new president. West Pakistan would not accept the result. War followed, and East Pakistan became the new nation of Bangladesh.

Bhutto, a brilliant yet ruthless politician, ran on the PPP's slogan of "bread, clothing, shelter." He promoted socialist policies, including the selective nationalization of major industries and banks. His main supporters were workers in the city and peasants in the country; the elite soon became disillusioned, not only with his economic policies but also with his thirst for power. He shunted aside political rivals and formed his own Federal Security Force as a counterweight to the army. Although he was a hero to some, others recall his rule as a time of "turmoil in the streets, political prisoners, corruption of the judiciary, censorship, police-state repression and the politics of a personality cult."

All political parties except the PPP joined together to challenge Bhutto at the polls in March 1977. Amid charges of fraud and intimidation, Bhutto was declared the winner by an overwhelming margin. In the wake of weeks of violence and civil unrest, the military, under Army Chief of Staff Zia, took power on July 5, 1977.

Zia, a professional military man with no background in politics, initially declared that his would be a caretaker regime. He suspended parts of the constitution but promised early elections to return the country to democracy. Bhutto, convicted of conspiring to murder a political opponent, was hanged in April 1979 after Zia rejected international appeals for clemency.

Islamization

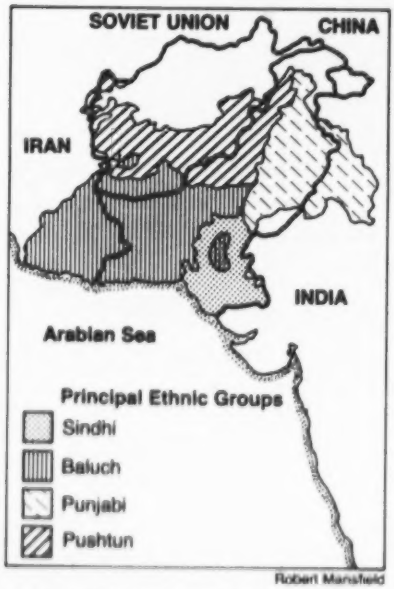
When Zia assumed power, his top domestic priority was to turn Pakistan into a true Islamic state. He was a devout Muslim, and the political atmosphere was favorable. Much of the Muslim world was experiencing a religious revival. But the questions that had plagued Pakistan since independence—such as whether it was to be a nation of Muslims or a Muslim state and, if so, what kind—continued to cause discord. The legislation of harsh "Islamic" punishments for drinking, theft, adultery and bearing false witness have attracted a great deal of publicity abroad, but have seldom been enforced. Theft is supposed to be punished by amputating the hand, but doctors have refused to carry this out. Public floggings for of-

fenses such as drinking, however, do regularly occur.

The attempt to enforce Islamization has been acknowledged to be a failure even by the government. "Pakistan is simply not a conservative or orthodox country. The clergy has pushed this agenda to advance its own power," according to a Karachi politician. Because of Pakistan's religious diversity (most are Sunni or "orthodox" Muslims, but one fifth are Shia Muslims), there has been disagreement as to what norms to enforce.

Transition to democracy

In December 1984 Pakistan held a referendum on whether the electorate endorsed the policy of Islamization and



Zia's continued leadership. Zia interpreted overwhelming approval as a renewed mandate. Relatively free parliamentary elections (in which political parties were not allowed to participate) were held in February 1985. They were considered a success for the government as most voters ignored opposition calls for a boycott.

Zia was sworn in as president in March 1985 for a five-year term. Since then, day-to-day management of the government has been in the hands of a civilian, Prime Minister Mohammad Khan Junejo, although few doubt that Zia is still in charge. A new National Assembly took office and the 1973 Constitution was restored, except for key provisions dealing with civil liberties such as freedom of speech and the press. Political parties, banned since 1979, were legalized. Most are part of an alliance called the Movement for the Restoration of Democracy (MRD), which demands Zia's removal. Martial law was ended on December 30, 1985.

The government's principal challenger is Bhutto's strong-willed, Western-educated daughter, Benazir, who returned to Pakistan in April 1986 from self-imposed exile in London. She was greeted by adoring crowds, and the government was clearly annoyed at the international interest generated by her arrival. Benazir inherited the political leadership of the PPP and has vowed to use it to force Zia from office.

Bhutto's opposition to Zia culminated in her arrest, along with 2,000 followers, in August 1986 for defying a ban on rallies. She was imprisoned and held for 28 days. Although the government was criticized for overreacting to Bhutto's challenge by suspending the political freedoms it had only recently granted, it survived the confrontation intact. Large demonstrations by Bhutto's supporters failed to materialize, showing that her followers were poorly organized or that she lacked support.

The major demand of Bhutto and the other opposition parties in mid-1986 was for the government to call early national elections instead of waiting until 1990. The government pointed out that it had recently held elections which the opposition parties boycotted, and saw no need to hold more until required to. Opposition politicians claimed that the 1985 elections were rigged, and believed they could defeat Zia in a fair election. However, by the fall of 1986, with public support for her movement waning and splits within her own party, Bhutto appeared to be having second thoughts about the advisability of early elections.

Some analysts question whether elections would solve Pakistan's problems. According to professor Lawrence Ziring, "Crisis management, not political development, describes the Pakistan condition. . . .Sophisticated Pakistanis

have always assumed that the holding of popular elections would resolve many of Pakistan's political problems. [In] fact the reverse has occurred. . . ."

A major question is what policies Bhutto would pursue if she headed the government. She stands for "Bhuttoism," which she defines as "a restoration of the Constitution, fundamental rights and an independent judiciary. It means expenditures for health and education, labor laws that protect workers, and no corruption, nepotism or drug smuggling." Her policies are left of center, and she says she would nationalize some major industries, such as steel, shipping and banking, while not interfering with small businesses. Her attitude toward the U.S. is unclear but she has tried to assure U.S. policymakers that she is not anti-American. Her father blamed the Central Intelligence Agency (CIA) for contributing to his overthrow.

What are the prospects for a Bhutto victory? She has inherited her father's base of support in the Sind, but so far has not gained much backing in the Punjab, which would be crucial to success. Being a young, single woman in an Islamic, male-dominated society is also a liability. She makes token concessions to tradition, such as wearing a veil in public and using the women's entrance at her family's huge estate at Larkana, in Sind. But she is obviously a secular politician in the mold of her father.

The economy

One factor working in the government's favor is a relatively strong economy, which has been growing at an annual rate of 7% for the past few years, with inflation only 5%. Pakistan today is enjoying excellent harvests and is the world's largest exporter of cotton. It also has a strong rate of industrial production.

Pakistan prides itself on the fact that its per capita income of $390 for its 102 million people exceeds that of India, which is $260 for a population of 785 million. The reason for Pakistan's stronger growth is that after independence it invested in agriculture and light industries (such as textiles). India, which produces more of the products it consumes, chose instead to build heavy industries such as railways and steel mills.

There are a few clouds on the economic horizon which could cause problems in the long run. Although Pakistan benefited from the drop in oil prices, remittances sent home from Pakistani workers in the Persian Gulf have dropped off as a result of the oil glut. A world surplus has lowered cotton prices. And Pakistan remains very dependent upon aid from the West.

Domestic prospects

The majority of Pakistanis, enjoying prosperous times, do not seem to want to rock the boat, and many of the wealthy, fearing a Bhutto government would engage in wide-scale nationalization, are opposed to her bid for power and have sent money abroad. According to a prominent Karachi politician and businessman, "The government has always been controlled by a syndicate of vested interests. . . .Benazir will never govern until she wins its confidence." While Bhutto is the most visible symbol of opposition, another figure more acceptable to the business elite could be the surprise beneficiary of her efforts.

Zia may not be popular, but he is firmly backed by the army. He has the title of president, but his source of power is as army chief of staff. "We are an unstable democratic regime at the moment," Zia allowed in a June 1986 interview. The question is, should his government depart, would his successor be any more democratic or stable?

Foreign policy

Pakistan's foreign policymakers have always been preoccupied with threats to the country's security. To counter this threat, in the 1950s Pakistan sought alignment with the West. In 1954, it signed a mutual defense agreement with the U.S. and joined the Southeast Asia Treaty Organization (SEATO). The following year it joined the Baghdad Pact, a mutual defense treaty between Britain, Iran, Iraq and Turkey (later renamed the Central Treaty Organization, or CENTO, after the withdrawal of Iraq). In 1959 Pakistan concluded a bilateral security agreement with the U.S., in which the U.S. acknowledged that the "independence and integrity" of Pakistan was vital to its interests. In return, the U.S. was promised 10 years' use of military facilities at Peshawar. The agreement was identical to others the U.S. signed with Iran and Turkey when they were part of CENTO.

Although Pakistan and the U.S. agreed on the Soviet threat to peace—which was the rationale for U.S. assistance—Pakistan has always regarded India as the country it needed to defend against. In two conflicts with India, over Kashmir (1965) and Bangladesh (1971), Pakistanis were dismayed by what they regarded as lack of U.S. support for their position. They also resented the U.S. sending military supplies to India during its border war with China in 1962. Pakistan feared the arms would be used against it.

Pakistan was particularly upset with the U.S. for its lack of understanding of the Kashmir dispute. Regaining control over all of Kashmir, a province with a Muslim majority, has been a priority for Pakistan since partition. A 1949 UN-brokered cease-fire line cut the province in half. Pakistan's efforts to seize eastern Kashmir from India led to war in September 1965. Pakistan, faced with a superior Indian army, was forced to accept a cease-fire. The Soviet Union mediated a settlement between the two countries at Tashkent in January 1966.

After the loss of East Pakistan in 1971, Bhutto shifted Pakistan's orientation toward the Middle East and the Islamic world. Emphasizing that Pakistan was a Muslim state, he developed close ties with Iran, Libya and Saudi Arabia. Such ties paid off with financial aid for Pakistan and jobs for Pakistani workers and soldiers in the Persian Gulf. (Zia himself was loaned to Jordan in 1970, and he helped defend King Hussein's government in its battle against the Palestinians.) Disillusioned with the lack of U.S. support, Pakistan turned to China as its main arms supplier.

India's explosion of a nuclear device in 1974 exacerbated Pakistani insecurity and, many believe, made Pakistan determined to develop a bomb of its own. To Pakistanis, U.S. opposition to their nuclear program—ostensibly intended to produce energy needed to increase agricultural production—seemed unfair, especially when India was already a member of the nuclear club. In addition, they charged the U.S. with hypocrisy for continuing to find ways to ship nuclear fuel to India.

The Soviet invasion of Afghanistan brought Pakistan and the U.S. together again, although there was still a chill in the relationship. Pakistanis blamed President Jimmy Carter (1977-81) for underestimating the Soviets' intentions, thereby encouraging Moscow to invade. Ties warmed considerably when the incoming Reagan Administration granted a massive program of military and economic aid starting in 1981. The Pakistan government prides itself on its "principled stand" on Afghanistan, which the U.S. welcomes, and refuses to negotiate directly with the Kabul government until Soviet troops are withdrawn.

U.S. backing for Zia's military government has led to some anti-Americanism in Pakistan; it is difficult to gauge how much. A Pakistani official explained,

Opposition leader Benazir Bhutto triumphantly returned from exile in April 1986 to challenge President Zia.

"Pakistanis have a love-hate relationship with the U.S. and we are afraid that the hate factor is always open for exploitation. Opposition parties have nothing to lose and everything to gain by whipping up anti-American feelings, embarrassing the government in the process." According to the opposition, without U.S. backing and substantial foreign aid, his government could not have lasted as long as it has.

Some Pakistanis oppose their government's close association with the U.S. because of the security implications. They reason that with Soviet troops now occupying Afghanistan, which had been its buffer state, Pakistan cannot afford to provoke the Soviet Union. Funneling sophisticated arms to the guerrillas from the U.S. and other countries could lead the Soviets to retaliate, perhaps by joining forces with India to carve up Pakistan. In a worst-case scenario, the Soviets could sponsor a puppet regime in Baluchistan, which would give them access to a warm-water port on the Indian Ocean. Afghanistan could reclaim the Pushtun areas, including the North-West Frontier Province, and India could reclaim the portions of Sind and the Punjab it feels were unfairly given to Pakistan at the time of partition.

Pakistan is thus in a difficult position militarily. An insecure state to start with, it is no match for Soviet military power in Afghanistan, and faces the prospect of permanent strategic inferiority to India. Of the two threats, Pakistan continues to fear India the most, and it stations the bulk of its highly regarded 450,000-man army along the Indian, rather than the Afghan, frontier. (India's army is more than twice the size of Pakistan's.)

Should the Afghanistan issue be settled, Pakistan fears the U.S. would again desert it. This is one reason many Pakistanis may believe the country needs nuclear weapons. The government, however, denies it is developing them. Where does Pakistan's security lie? "Ultimately, Pakistan's best protection against Soviet aggression lies in its internal political stability and the support for its integrity by neighbors and external allies, notably including the U.S. and China," according to Richard P. Cronin of the Congressional Research Service. "Importantly, this implies the normalization of relations with India."

Seven-year stalemate

AFGHANISTAN, A RUGGED country of mountains and deserts, about the size of Texas, is located in a cultural border zone where Central Asia, South Asia, Iran and China meet. The country has a harsh climate, with bitter winters and hot, dry summers. Because of the lack of water, only about 12% of the land is cultivated.

Before 1979, the population was estimated at 15 million people, 85% of whom lived in small villages. Since then up to 5 million have fled, and now constitute the world's largest refugee population. In Afghanistan, people's loyalty is to family, tribe and ethnic group, rather than to the government. The tribal code of Pushtunwali—which demands vengeance for insult or injury to relatives and bravery in battle—has long inspired resistance to outsiders. Due to difficulties of transportation and communication, the central government has traditionally permitted local areas a considerable amount of authority. Afghans, of whom about 90% are Sunni and 10% Shia Muslim, are noted for their fidelity to their own form of Islam, strongly influenced by folk traditions.

Although regarded as remote by Westerners, for centuries Afghanistan was the crossroads of Asia, and trade routes linking Europe and the Middle East with China and India ran through it. In the 19th century, Afghanistan acted as a buffer between the expanding empires of the British in India and the Russians in Central Asia. Britain gained the upper hand in the "Great Game"—as the imperial maneuverings were dubbed—when it took control of Afghanistan's foreign policy in 1880. In 1919 Britain accepted Afghanistan's full independence.

Until 1973 Afghanistan was ruled by kings of the dominant Pushtun ethnic group. The 40-year reign of King Mohammad Zahir Shah ended in an almost

bloodless coup when his brother-in-law and former prime minister, Mohammad Daoud, took over in July 1973 and declared the country a republic.

Daoud came to power with the help of the Parcham faction of the Afghan Communist party. Parcham ("flag" in Persian) and its rival, Khalq ("Masses"), are two Marxist groups that were formed in the 1960s. The Soviet Union prefers Parcham but has tried without success to unite the two factions.

After the overthrow of the king, Parcham and Khalq struggled to control the Afghan government. Daoud was removed by the Khalq in a 1978 coup. The new Khalq regime forced many prominent Parchamis, including Babrak Karmal, into exile. It attempted to impose radical reforms, notably land reform and a Marxist curriculum in the schools.

Photo by Lawrence Potter

Traditional solution for illiteracy: a scribe in Qandahar takes a letter.

Foreign relations

Until 1978 Afghanistan was a nonaligned state, careful not to offend the Soviet colossus on its northern border. As a landlocked country, it depended on the goodwill of its neighbors—primarily Pakistan and the Soviet Union—for essential imports. Good relations with Pakistan, though, were often lacking due to a dispute about where their common border lies.

The U.S., which established an official mission in Kabul in 1943, provided Afghanistan with $500 million in economic aid after World War II. It directed work on agricultural projects, roads, and even built an airport at Qandahar. A popular Peace Corps program began in 1962. But the U.S. drew the line at military aid for fear of antagonizing the Soviet Union and Pakistan. Afghans suspected the U.S. refusal was in retaliation for Afghanistan's failure to join the Baghdad Pact. They also resented the fact that the U.S. was sending arms to Pakistan that could be used against them. Afghanistan then turned to the Soviet Union, which between 1954 and 1979 supplied well over $1 billion in economic aid and military training for the Afghan army. (Some Afghans received military training in other countries, including, until 1978, the U.S.)

Despite the Soviet influence in Afghanistan, the U.S. retained cordial ties with Kabul until the end of the monarchy in 1973. Thereafter Soviet influence increased dramatically, and in 1978 Afghanistan concluded a treaty of friendship and cooperation with the U.S.S.R. that was cited by the Soviets as a legal basis for their intervention. In February 1979, U.S. Ambassador Adolph Dubs was kidnapped and murdered in Kabul.

The course of the war

On December 24, 1979, 5,000 Soviet troops moved into Afghanistan. By January, there were 80,000 troops in the country, and all pretense of Afghan independence was over. Khalq leader Hafizullah Amin was killed during the invasion, and the Soviets brought Parcham leader Babrak Karmal back from exile in Eastern Europe and made him the new president.

Why did the Soviets invade? Several important factors probably contributed to the decision. The bitter struggles between the Khalq and Parcham factions paralyzed the government, which was struggling to combat a popular insurgency. The Soviets did not trust Hafizullah Amin, leader of the Khalqi government, who was in danger of being overthrown by anti-Communists. This would have been a serious setback for the Soviets.

The international climate was favorable for intervention. Pakistan and the U.S. were at odds. U.S. Senate consent to the ratification of the SALT II treaty, which the Soviets wanted, was already in jeopardy. Furthermore, an invasion of Afghanistan would put Iran and Pakistan on notice not to antagonize the Soviet Union. It also served as a warning to Soviet Muslims. Finally, the Soviet Union stood to profit from Afghanistan's resources, especially natural gas.

The war in Afghanistan has now entered its eighth year and no end is in sight. The Soviet-backed Afghan government does not control the countryside, despite the presence of an estimated 120,000 Soviet troops. The Soviets hold Kabul—at least by day—and have secured a supply route from the Soviet frontier to the capital.

But in the countryside, resistance fighters harass government forces and intermittently control Herat and Qandahar. Although their methods of fighting are primitive and the hardships they endure are appalling, men and boys continue to join their ranks. Many are inspired by Islam. Although they refrain from attacking large concentrations of soldiers, they have frequently hit Soviet bases and economic targets such as highways and power and fuel lines.

Soviet balance sheet

The cost of the war for the Soviets rises daily. By the end of 1985 there were an estimated 30,000 Soviet casualties, including 10,000 deaths. Soviet forces reportedly suffer from low morale and alcohol and drug abuse. The Soviets cannot trust an Afghan army decimated by desertion and draft evasion.

The Soviet Union has also paid a high price in terms of its international stature. Soviet aggression has been denounced by the nonaligned and Islamic states, as well as the West and China. The UN General Assembly annually approves a resolution calling for the withdrawal of Soviet troops. The Afghan occupation is one of the stumbling blocks to better Soviet relations with the U.S.

The occupation is not, however, en-

tirely without its benefits for the Soviet Union. The Soviets have forced a neutral state into their bloc, giving them a foothold in Southwest Asia that eluded them in the Great Game. The Soviet military is gaining valuable combat experience by fighting a guerrilla war. It has built air bases throughout the country giving it easy access to the Persian Gulf region. And so far it is winning—or at least not losing—the fight.

What are Soviet intentions? Pakistan's Prime Minister Junejo told a Foreign Policy Association audience in July 1986, "While the words speak of political settlement, Soviet actions point to a strategy for military solution." So far there have been no significant troop withdrawals, although token forces were removed in October 1986 at the time of the Reagan-Gorbachev summit in Reykjavik, Iceland. There are signs that the Soviets may be digging in for a long stay. They are sending large numbers of young Afghans to the Soviet Union to be educated, in the belief they will return to form a core of Soviet sympathizers. "Time changes everything. In another 10 or 20 years, the new generation of Afghans will view our presence differently," according to a Soviet official. Others are not so sure.

The Soviets seem to believe they have time on their side. However, they are not satisfied at the pace of "Sovietization." They have continually pressed the Parcham and Khalq factions to iron out their differences, broaden the base of the party and invigorate the army. To hasten this process, in May 1986 they replaced President Babrak Karmal with Mohammad Najibullah, former head of the secret police.

The Afghan Communist party has claimed steady membership growth—from 5,000 members in 1978 to 160,000 (a figure that is probably inflated). Undoubtedly, some have joined the party for pragmatic reasons, such as getting government jobs or avoiding harassment.

Some 4-5 million Afghans have fled their country and are living in camps along the border—close to 3 million in Pakistan and the rest in Iran. The refugees compete for scarce resources such as water and firewood and have strained goodwill in both countries. However, despite the large number and poverty of the refugees, there have been no major outbreaks of violence or disease in the camps, and relations with local residents have been peaceful.

What of the mujahideen? They profess a single cause, yet are divided by personalities, ideologies and rivalry

AS A SHOW OF GOODWILL, WE'RE WITHDRAWING SOME OF OUR TROOPS FROM AFGANISTAN....
...JUST THE DEAD ONES....
Mike Luckovich...
The Times-Picayune

over territory. Despite pressure from the U.S. and others to pull together, the seven major groups, which include both Islamic fundamentalists and more-secular elements, are united only in name. While the differences reduce their military effectiveness, they also make it harder for the Soviets to fight them.

The most serious split is between the large opposition parties headquartered in Peshawar, Pakistan, near the Afghan border, and the resistance groups in the field. Guerrilla units operating inside Afghanistan complain about the soft life of media-conscious politicians in Peshawar, and claim that they and the Pakistanis skim off aid meant for them. The U.S., China, Saudi Arabia, Iran and Egypt all send aid to the mujahideen.

The level of fighting has intensified since 1985, and has increasingly taken place along the Pakistani border. Soviet forces have assisted the Afghan army in attempts to seal off mujahideen supply lines. Their attacks have been characterized by high civilian casualties and widespread destruction of villages and irrigation systems.

The U.S. government paints a generally rosy picture of increasing mujahideen victories and Soviet reversals. But the bulk of unclassified reporting on the military effectiveness of the mujahideen is skeptical, if not pessimistic.

UN negotiations

Eight rounds of negotiations to settle the Afghan conflict have taken place at Geneva under the auspices of UN mediator Diego Cordovez since June 1982. These "proximity talks" between the governments of Pakistan and Afghanistan (the U.S. and Soviet Union do not formally participate) led in June 1985 to agreement on three accords, calling for noninterference in Afghanistan's affairs, international guarantees by outside powers and the voluntary return of Afghan refugees. A fourth accord, specifying a timetable for a Soviet troop withdrawal and Pakistan's restraint of mujahideen activities within its border, is now the major unresolved issue. Reportedly, the Soviets offered to withdraw over a period of several years; the Pakistanis suggested several months instead. No significant progress was made at the most recent round, in August 1986. Cordovez continued to be optimistic, saying, "the process is very much alive and will continue."

A basic stumbling block is the form the Afghan government would take after a Soviet withdrawal. "It is always hanging over the negotiations, like a cloud," lamented a UN official. The mujahideen will not accept a Communist government; the Soviets may not accept anything less.

Another key problem is that the mujahideen play no part in the negotiations and would probably repudiate any settlement reached over their heads.

The attitude of Pakistan toward Afghanistan is crucial to a settlement. The Soviets have exerted considerable pressure on Islamabad to recognize the present Kabul government. So far it has not, but many in Pakistan believe that time is on the side of the Soviets, and therefore they can get a better settlement now by negotiating directly with the Kabul government than by continuing with the UN-sponsored talks.

U.S.-Pakistan relations

FROM 1953 TO 1979, Pakistan received $5.7 billion in economic and military assistance from the U.S. The U.S. extended aid to deter Soviet expansion, but the aid also enabled Pakistan to protect itself from India and, if need be, Afghanistan.

The U.S. opposed Pakistan's attempt to seize the disputed portion of Kashmir in 1962, and counseled restraint. In 1965 when Pakistan surprised the U.S. by attacking India, the U.S. imposed an arms embargo on both countries in what was meant to be an evenhanded response. Nonlethal military aid to Pakistan was later restored.

President Richard M. Nixon (1969-74) received Pakistan's assistance in 1971 in scoring his most dramatic foreign policy coup—restoration of relations with the People's Republic of China. Nixon's "tilt" toward West Pakistan during the 1971 civil war aroused opposition in the U.S., where popular opinion was on the side of Bangladesh. The U.S. dispatched the carrier *Enterprise* to the Bay of Bengal and reportedly warned India, which supported Bangladesh, not to attack West Pakistan. Once again, the U.S. imposed an arms embargo on both India and Pakistan. Pakistan faulted the U.S. for not doing more to prevent the breakup of the country. Citing Soviet arms resupply to India, Pakistan complained that the Soviet Union was a better ally for India than the U.S. was for Pakistan.

Decade of distrust

Pakistan's disappointment, along with the anti-American rhetoric of Bhutto, led to a decade of distrust between the two erstwhile allies. On strong evidence that Pakistan was acquiring equipment to construct a nuclear enrichment facility, the U.S. cut off all assistance except food aid in April 1979 as required by the Symington Amendment to the Foreign Assistance Act. In November angry mobs burned the U.S. embassy in Islamabad after hearing rumors that the U.S. was behind the takeover by Islamic militants of the Great Mosque in Mecca, Saudi Arabia, the holiest Islamic shrine. United States Information Agency offices in Rawalpindi and Lahore were also damaged.

The Soviet invasion of Afghanistan in December 1979 reversed the U.S. attitude toward Pakistan. The U.S. reaffirmed the 1959 bilateral security agreement and offered $400 million in aid. Zia, however, was in no hurry to forge closer ties at this time, and disparaged the aid offer as "peanuts." He was holding out for a much larger aid package to justify the risk Pakistan was taking in opposing the Soviet occupation, and to improve his chances he decided to wait until after the 1980 presidential elections.

Renewed alliance

His gamble paid off, for the Reagan Administration has made support for Pakistan a high priority. In 1981 it initiated a six-year program of economic and military aid totaling $3.2 billion. In addition, the U.S. sold 40 F-16 fighter bombers for $1.1 billion.

Critics noted that these planes could be used to deliver nuclear weapons, and might provoke an arms race with India. The Administration countered that if it strengthened Pakistan's conventional forces, Pakistan would not feel the need to develop a nuclear weapon.

Congress approved the aid package only after extensive debate. It voted to waive the requirements of the Symington Amendment for the life of the aid package—that is, until September 30, 1987. However, it also revised the Foreign Assistance Act to require a cutoff of U.S. aid should Pakistan explode a nuclear device.

Policy dilemmas

Formulating U.S. policy toward Pakistan has always been complicated by a desire to remain on good terms with India. Under Jawaharlal Nehru (1947-64) and his daughter Indira Gandhi (1966-77 and 1980-84) the Indian government championed nonalignment, was suspicious of the U.S. and entered into close economic and military relations with the Soviets. India initially condemned the Soviet invasion of Afghanistan, but then backed off. India's current prime minister, Rajiv Gandhi, seems to harbor little of the anti-Americanism of his mother, and some observers see prospects for improved relations. When pressed to choose, the U.S. State Department has usually preferred India, and the Defense Department, Pakistan.

"The dilemma for U.S policymakers now is to give Pakistan confidence that the U.S. is a reliable security partner while persuading India that U.S. aid to Pakistan does not threaten India's security," according to Richard Cronin. "Realistically, these are probably incompatible objectives. In the end, U.S. policy is largely hostage to tensions over which Washington has little or no control."

Defense cooperation

The Administration has proposed another six-year $4 billion aid package for Pakistan to begin in October 1987. Almost half of this sum would go for military assistance. Pakistan would like to purchase early warning aircraft—like the airborne warning and control system (AWACS)—to forestall attacks from Afghanistan. The U.S. government appears to be in favor of supplying the planes, despite protests from India.

Thousands of highly paid Pakistani soldiers, especially those with technical training such as pilots, are on loan to local armies in Saudi Arabia and Persian Gulf states such as Oman. As Muslims, they can operate more freely there than Westerners. In an emergency in the Gulf, the U.S. hopes Pakistan would back up American forces.

The U.S. formerly had military facilities in Pakistan. The U-2 spy plane that was shot down by the Soviet Union in May 1960, causing the Soviets to cancel a summit meeting with the U.S., was based at Peshawar. Many Pakistanis suspect the U.S. wants to establish military bases in Pakistan to give it greater access to the Persian Gulf, but the government is opposed, and for this reason will not allow American airmen to fly AWACS missions in its territory.

Problem areas

There are continuing rumors that Pakistan is pursuing a "nuclear option." In November 1986, *The Washington Post* reported that Pakistan had made "dramatic progress" toward producing a nuclear weapon.

The Administration accepts Pakistani assurances that it is not building the bomb. And Pakistan has offered to sign an agreement with India not to produce nuclear weapons and to permit mutual inspections.

Congressional critics do not believe Pakistan's assurances, and want Washington to place restrictions on military aid until Pakistan persuasively demonstrates it is not making a bomb.

The U.S. is also concerned about the huge flow of drugs originating in Pakistan and Afghanistan. The U.S. Drug Enforcement Administration (DEA) esti-

mates that opium production in Pakistan rose to between 100 and 160 metric tons in 1986, up from 40 metric tons in 1985. Pakistan has encouraged farmers to substitute other crops for opium, but has run into resistance from farmers in the North-West Frontier Province where it exercises little authority.

The lack of democracy in Pakistan has been widely criticized abroad. *The New York Times* editorialized in August 1986 that Zia and Junejo "can best gain freedom from fear by allowing the opposition its proper role, not by trying to make it go away. Helping them recognize that is very much in the interest of the U.S." The Administration maintains that Pakistan is making "great strides" in the transition toward democracy.

Human rights is another problem area. The U.S. State Department reported that abuses continued in 1985, with "credible allegations" of torture of detainees, although the general situation was improving, especially press freedom. The Lawyers Committee for Human Rights maintains that the State Department underestimates the seriousness of Pakistan's human rights abuses.

Afghanistan policy

The U.S. would support a negotiated settlement of the Afghan conflict, provided it includes withdrawal of Soviet troops and a return to the country's former neutral status.

In the meantime, the U.S. has a large program of covert support for the mujahideen. Such aid totalled between $300 and $350 million in fiscal year (FY) 1986, up from $280 million in FY 1985. The money was spent primarily on small arms, ammunition, equipment and clothing.

U.S. aid must be covert and not overt because of Pakistani sensitivities about offending the Soviets. Pakistan has implied that for it to accept the aid openly, the U.S. would have to guarantee Pakistan's security in a formal defense treaty.

The U.S. has also made substantial contributions ($430 million from 1980-86) to support the Afghan refugees in Pakistan. This money goes to the UN High Commissioner for Refugees who, with Pakistani officials, decides how it will be spent.

President Reagan met in Washington with Afghan resistance leaders in June 1986 but has declined to recognize them as a government in exile. The U.S. believes the rebels lack the attributes of a government, such as cooperation among themselves. It also believes it is important to keep open the U.S. embassy in Kabul, an important listening post. (The U.S. keeps a man on the roof all night to observe fighting around the city.) Also, extending diplomatic recognition to the rebels could jeopardize the peace talks.

Pakistan's Prime Minister Junejo

Many observers are convinced that the Afghan conflict will have to be resolved at the superpower level, and perhaps be linked to other regional disputes. There will be no Soviet concessions without American ones, such as a reduction in U.S. naval strength in the Indian Ocean. The U.S., some argue, must be more flexible about what it will give up in return for a Soviet troop withdrawal.

Policy options

PAKISTAN. Should U.S. aid and support of the Zia government be conditional? If so, should the U.S. impose any or all of the following conditions?

■ **1**. Nuclear restraint. Proponents say that until the U.S. receives ironclad proof from Pakistan that it is not building a bomb, no more aid should be forthcoming. At a minimum, aid should be negotiated annually, not granted in multiyear packages. Opponents accept Pakistan's assurances. In any event, they believe that the U.S. should overlook nuclear research as long as Pakistan supports U.S. policy on Afghanistan.

■ **2**. Restoration of democracy and human rights. Supporters of the present government note that Pakistan is in a state of transition from military to civilian rule and there is more freedom now than there has been in years. Opponents favor the U.S. distancing itself from the Zia government and supporting the opposition's call for early elections.

■ **3**. Narcotics control. Proponents say that Pakistan must make stronger efforts to stem the flow. Opponents say that Pakistan already cooperates with the DEA, and has difficulty operating in tribal areas where the crop is grown.

AFGHANISTAN. U.S. options in its policy toward Afghanistan include:

■ **1**. Giving more and better weapons to the mujahideen. Those in favor say that they are fighting for a cause the U.S. believes in and it must not deny them the weapons they need to defend themselves. Such aid is important psychologically and assures them that they are not forgotten. Those opposed hold that it is better not to escalate the level of fighting. Also, Pakistan might demand an unacceptably high price to permit such weapons to reach the Afghans—such as more arms or closer defense ties to the U.S.

■ **2**. Recognize an Afghan government in exile. Supporters say that the U.S. should deny legitimacy to the Kabul regime and give the resistance fighters some experience in governing. Those opposed say it would complicate diplomatic efforts to end the conflict. Also, it is doubtful that such a government would be unified and speak with authority for all factions.

■ **3**. Bring the mujahideen into the negotiations. Those in favor note that any deal made between Pakistan and Afghanistan, or the U.S. and the Soviet Union, cannot take effect unless the mujahideen are represented. Those opposed believe the mujahideen's demands are too inflexible to be a practical basis for diplomacy.

■ **4**. Make real concessions to get the Soviets out. Some believe that the U.S. must make real concessions to the Soviets, perhaps outside of the region, in return for the removal of Soviet troops. Opponents believe that the Soviet Union is in an unwinnable war, and there is no need for the U.S. to make significant concessions. Such concessions might restrict U.S. policy options in the future.

★ ★ ★

Both superpowers say they want to reduce regional tension, partly to enable progress on other issues such as arms control. But longstanding problems cannot be solved quickly. For the peoples of Pakistan and Afghanistan, the Great Game continues.

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For Discussion

1. How important should Pakistan's hard-line policy on Afghanistan be in determining the level of U.S. aid? Do you think U.S. pressure to speed the restoration of democracy in Pakistan is called for, and, if so, would it work?

2. What relationship should the U.S. have with the mujahideen? Should it step up military aid to them? Recognize them as a government in exile? Include them in peace negotiations?

3. Pakistan is a multiethnic society like other states such as India and Yugoslavia. What is the prospect that such countries can maintain stable political systems?

4. Two states were founded after World War II with the twin goals of being religious, yet democratic nations—Pakistan, for Muslims, in 1947, and Israel, for Jews, in 1948. What problems do these twin goals give rise to in practice?

5. A major demand of the Pakistani opposition has been for the government to hold elections. How useful are elections for solving political problems in Third World countries that have never experienced American-style democracy?

6. Would it be in the U.S. interest to promote a superpower settlement in Afghanistan, or should it promote the UN-sponsored negotiations instead?

7. What should the U.S. be prepared to give up in return for a Soviet troop withdrawal from Afghanistan? Insistence that a successor regime be democratic? Military aid to the contras in Nicaragua? Nothing?

8. What are the benefits to the Soviets for staying in Afghanistan? for leaving? Do you think the Soviets, or the mujahideen, have time on their side? Can the U.S. negotiate a better settlement now, or should it bide its time?

9. Pakistan has had several constitutions in the past 40 years. What accounts for the fact that the U.S. has had the same one for the past two centuries?

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For further in-depth reading, write for the GREAT DECISIONS '87 *Bibliography (see page 2).*

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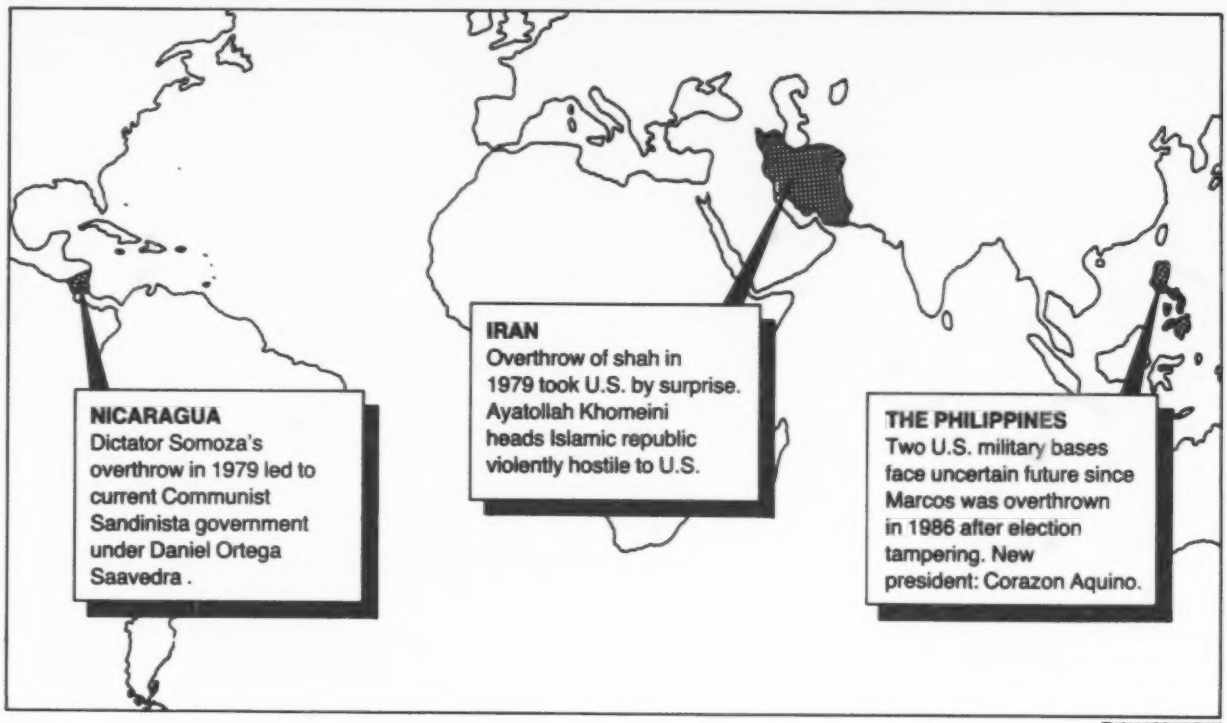
8 Dealing with Revolution

Iran, Nicaragua and the Philippines


NICARAGUA
Dictator Somoza's overthrow in 1979 led to current Communist Sandinista government under Daniel Ortega Saavedra .
IRAN
Overthrow of shah in 1979 took U.S. by surprise. Ayatollah Khomeini heads Islamic republic violently hostile to U.S.
THE PHILIPPINES
Two U.S. military bases face uncertain future since Marcos was overthrown in 1986 after election tampering. New president: Corazon Aquino.

Robert Mansfield

REVOLUTION HAS played a dual and contradictory role in American history. Without the American Revolution, there might not be a United States. But today the U.S. views revolutions in countries considered important to its security more often than not as suspect, even threatening.

The heroes of the American Revolution fought for their independence from Britain in the name of liberty, equality and democracy, and the right to the pursuit of happiness, in Thomas Jefferson's words. These ideals still have a powerful hold over the American imagination two centuries later. Most revolutions since the American Revolution have been fought in the name of the same high ideals. But however much Americans sympathize with the aspirations that lead people of other societies to revolt against their leaders, they have grown distrustful of most revolutions and apprehensive about their consequences. Revolutionary upheavals in countries as far from the U.S. as Iran or Angola have had profound effects on Americans, interdicting the flow of needed resources or sparking regional conflicts with the potential to become superpower confrontations.

What is a revolution? Different theorists have argued over definitions, but there is some common ground. A revolution is a profound and usually abrupt change in the political order—not just the replacement of one ruling group with another. Successful revolutions lead to a change not only in who holds political power, but in attitudes about the legitimate uses of power and the goals and structure of a society.

Since 1979, major revolutions have occurred in three countries important to the U.S. In January 1979, Iran's liberal middle-class, leftist and religious opposition rallied behind the Ayatollah Ruhollah Khomeini, overthrew the authoritarian government of Shah Mohammad Reza Pahlavi, a close friend of the U.S., and established an Islamic republic violently hostile to the U.S. That July in Nicaragua, a coalition supported by virtually all segments of society overthrew the dictatorship of the Somoza family, which had ruled for over 40 years. And in March 1986, following an election which Philippine President Ferdinand E. Marcos was widely regarded as having stolen, Corazon Aquino, his opponent, rallied anti-Marcos forces including the Roman Catholic Church and the business community and, with the support of top army leaders, became president. Marcos and his family fled to Hawaii.

What, if anything, do these three revolutions have in common? Why did they happen? Was the U.S. prepared for them? How have they affected U.S. interests? Has the U.S. learned anything from its experiences in these three countries?

How three revolutions grew

IN ALL THREE CASES, the U.S. had close ties with the authoritarian regime that was overthrown by the revolution. These ties had grown over time as successive U.S. administrations acted to cement and protect what they saw as American interests—strategic, political, economic and ideological.

Iran is located in a strategically important area of the world, bordering both the Soviet Union and the Persian Gulf. It is a major source of petroleum: during peak production years before the revolution, Iran was the second largest oil producer in the world.

Because of its critical location, Iran has long been an arena for great-power competition, and foreign governments have exerted considerable influence over Iranian politics since the 19th century. During World War II, both Britain and the Soviet Union occupied parts of the country. They were responsible for deposing Reza Pahlavi and installing his son, 22-year old Mohammad Reza Pahlavi as shah (king) in 1941.

In 1953, the shah was forced out of the country by his ambitious prime minister, Mohammad Mossadegh, who had won the support of the Iranian Communist (Tudeh) party. To block any plans the Soviet Union might have had to back a Communist coup in Iran, the U.S. Central Intelligence Agency (CIA) helped oust Mossadegh and returned the shah to the throne. Although the CIA plan was successful mainly because of popular support for the shah, Iranians remember the incident as one more example of a foreign power—this time the U.S.—intervening in Iranian affairs and putting a dictator on the throne.

The importance of the Persian Gulf area to the U.S. increased during the 1960s when the U.S. began to consume oil faster than it was producing it. At the same time, Britain was pulling the last of its troops out of the Middle East, and the Soviet Union was becoming more active in the politics of the region. By the 1970s, with American troops bogged down in a long and costly war in Vietnam, the U.S. turned to its friends and allies for help in protecting American interests.

Richard M. Nixon's Administration (1969-74) made Iran the keystone of its foreign policy in Southwest Asia. In return for the shah's promise to protect U.S. economic and strategic interests in the Gulf, the U.S. agreed to sell the shah whatever weapons he wanted, with the exception of some highly advanced conventional technology and nuclear weapons. The agreement, according to Gary Sick, the principal White House aide for Iran during Jimmy Carter's Administration (1977-81), "laid the basis for an almost unique degree of mutual dependence." The shah required U.S. technology and assistance to accomplish his goal of rapidly transforming his country into the dominant military and economic power in the region; the U.S., in turn, depended on the shah to protect its interests "in a region that was becoming increasingly important to the very survival of the Western industrial system."

Nicaragua, a small Central American nation the size of North Carolina with a population of about 3 million, lies within what Americans regard as their sphere of influence. Since the time of President James Monroe (1817-25), the U.S. has let it be known that it will not tolerate interference by foreign powers in this hemisphere. The U.S. has dominated the economies and politics of Central American countries since the late 1800s. With subsidies, loans, technical assistance and other aid, the U.S. encouraged the development of the coffee, sugar and fruit industries for export to the U.S. To shorten the shipping route between the Atlantic and Pacific oceans, the U.S. built a canal across the Isthmus of Panama. The U.S. periodically stationed Marines in the Caribbean and Central America to assure peace and stability in the region and to protect U.S. business interests. U.S. Marines remained in Nicaragua for most of the period from 1912-33. When the troops became a political liability in the late 1920s, the U.S. decided to train and equip Nicaraguan troops—the National Guard—to assume responsibility for maintaining order. In theory, the National Guard was to remain above politics, but in practice it became the dominant political force in Nicaragua under the command of General Anastasio Somoza Garcia. Somoza took control of the government in 1936 and ruled Nicaragua until he was assassinated in 1956. He was succeeded by his sons, Luis Somoza Debayle (1956-63) and Anastasio Somoza Debayle, who was overthrown in July 1979 and was later assassinated while in exile in Paraguay.

The U.S. backed the right-wing Somoza dictatorship because it maintained order and supported Washington's policy of isolating Communist Cuba and preventing further Communist inroads in the Americas. American weapons and support, in turn, were critical to Somoza's ability to consolidate and maintain his autocratic rule.

Acquired from Spain at the conclusion of the Spanish-American war in 1898, the ***Philippines*** was a U.S. colony until it was granted full independence in 1946. By then American democratic ideas and institutions had grown deep roots.

Beyond a sentimental and ideological attachment, the U.S. maintains two important military bases in the Philippines. Clark Air Base and Subic Bay Naval Station provide logistical support and serve as communications centers for all U.S. forces in the western Pacific. They have become all the more important with the expansion of Soviet military capabilities in the Pacific since the 1960s. (See Topic 4.)

The Philippines was a constitutional democracy from independence until 1972, when Marcos, who had been elected president in 1965 and reelected in 1969, declared martial law in order to deal with an economic crisis and two armed insurgencies in outlying areas. Over the next several years, Marcos issued a series of decrees that effectively suspended the constitutional system and led to one-man rule. Although he officially terminated martial law in 1981, Marcos did not restore democracy. He was forced out in February 1986.

Despite misgivings and occasional criticism, the U.S. saw Marcos as a staunch anti-Communist ally and a friendly military presence in the Far East. Washington continued to support him with military and economic aid until the revolution.

Thus in all three countries, the U.S. was allied by the end of the 1970s with right-wing, authoritarian rulers, leaders on whom it could rely to help safeguard U.S. security interests at minimal cost to the U.S. itself. Those security considerations outweighed any misgivings the U.S. had about the regimes' abuses of political, civil or human rights.

Why revolution?

Why do revolutions happen? Many scholars have asked that question, and some have discovered striking similari-

ties in the circumstances in which a number of societies found themselves on the eve of revolution. British historian Crane Brinton, for example, in his book *The Anatomy of Revolution*, pointed to a number of symptoms whose occurrence "in some unusual combinations and intensities" in a society could indicate an impending revolution. Iran, Nicaragua and the Philippines demonstrated a number of these in the years preceding their revolutions.

First of all, revolution in all three countries followed a period of intensive modernization. In each country, economic conditions improved considerably—but not equally for all segments of the society—during the decade before the revolution. Modernization created a "revolution of rising expectations" in which there was a gap between the actual improvements most people experienced and what they had been led to expect.

Although many in the upper and middle classes benefited directly from the changes in the economy, the improvements did not trickle down to those in the lower classes, who in many cases were hurt by the disruption of traditional social and economic ties that accompanied development. Large-scale industry received priority over smaller businesses, and middle-class urban dwellers experienced improvements in their standard of living that never reached most rural areas or the growing urban slums.

In Iran, the shah in 1963 announced his "White Revolution," a crash program of reform and modernization designed to transform the country into a modern industrial state. Fueled largely by oil revenues, the White Revolution kicked off nearly two decades of rapid economic growth, during which a modern infrastructure was developed, steel and petrochemical industries grew, and the standard of living rose for many Iranians. Extensive land reform measures made some peasants landowners for the first time, but the creation of huge agro-industries forced others off their farms and into the cities, where they fared little better.

Nicaragua in the 1950s and 1960s experienced the third fastest economic growth rate of any country in Latin America, due to a combination of a rise in the price of principal exports, such as cotton and sugar, and increased economic aid from the U.S. Under the Alliance for Progress launched by President John F. Kennedy (1961-63), the U.S. gave development aid to the countries of the region in the hope of preventing a "second Cuba." (In 1959 Fidel Castro overthrew the right-wing dictatorship of Fulgencio Batista and established a pro-Soviet Communist government.) The Somozas set up numerous development agencies which built roads and factories that helped Nicaragua diversify its economy to some degree. But Nicaragua's dependence on a limited number of exports exposed it to recurring boom-and-bust cycles as international economic conditions changed and prices for those products fluctuated.

Much of the money, moreover, found its way into the pockets of the Somozas, their family and friends, who monopolized all of the most profitable industries and owned half of the country's arable land. Few benefits of industrialization reached the lower classes. The government repressed labor unions and kept wages low, and its agrarian policies worked against small farmers. Many peasants who were forced off their land by increased mechanization soon discovered that there were limited opportunities for employment elsewhere, and, as they did in Iran, joined the ranks of poor in the urban slums.

In the Philippines, Marcos, with World Bank aid, achieved significant improvements in infrastructure, agriculture and light industry. During most of the 1970s, the economy grew at a steady annual rate of around 6%. The economic boom made millionaires of Marcos' family and friends, who controlled monopolies in key export industries. But the standard of living of most Filipinos declined after 1965. In spite of the growth in the economy, unemployment rose and real wages dropped throughout the 1970s.

Another symptom of impending revolution common to all three countries was the failure of opportunities for political expression to keep pace with economic progress. Economic power did not confer political power; on the contrary, the shah, Somoza and Marcos concentrated authority more effectively in their own hands in the years preceding the revolution, causing frustration and resentment among the new economic elites. The resentment was particularly keen in the Philippines, which had enjoyed democratic rule and an open society until 1972. Channels for even peaceful protest were shut down and opposition to government policies was met with increasingly harsh repression.

Political repression

In Iran, the shah tightened the state's already considerable control and extended it to almost every area of Iranian society during the 1960s and 1970s. He outlawed all independent political parties, packed the legislature with his supporters, and often sidestepped the constitution entirely and ruled by decree. He imposed government controls on schools, labor unions and business groups, and censored the press. His secret police, SAVAK, not only tortured and assassinated dissidents, but intimidated the entire population with what expert Barry Rubin has described as "a constant, all-pervasive terror." The shah relied on the armed forces to keep him in power, but he intentionally kept his military leaders weak and divided to ensure that the military could not become an independent political force.

One important group that the shah was never able to control was the Islamic clergy, or *ulama*. Shiite Islam has

Ferdinand and Imelda Marcos

been the state religion in Iran since the 16th century. The clerics' control of Iranian law and education had traditionally made them a powerful and independent force in a society in which 98% of the population is Muslim. The shah, who viewed the clergy as an obstacle to modernization, aimed a number of White Revolution reforms at breaking their power. He nationalized land that had belonged to the mosques for years, and stripped the clergy of their responsibilities in law and education. In 1963 the clergy, under the leadership of Khomeini, among others, rose in protest, sparking riots in all of Iran's major cities. The shah ordered the armed forces to put down the rebellion by firing on the protesters.

The Somozas had always run Nicaragua as if it were their own family enterprise, exploiting their wealth and political power for personal gain and meeting even peaceful opposition with repression. But as the regime faced repeated crises and challenges to its authority during the 1970s, repression became more brutal. Newspapers were censored, military courts were used to try civilians, political activists were held without trial and without the opportunity to speak to their families or attorneys for extended periods, and prisoners were often tortured while in the custody of the National Guard. The National Guard murdered not only suspected revolutionaries but often their families as well.

In the Philippines, Marcos turned one democratic institution after another into an instrument for augmenting and consolidating his personal power during the martial law years. He packed the legislature, the once respected judiciary and the upper echelons of the formerly top-notch military with his family and cronies, and at both the national and the local level, government under Marcos became a synonym for incompetence and graft. Marcos granted himself the right to order the arrest and detention of any person without stating cause. Civilians were tried in military courts, and the press was muzzled as he took more and more power into his own hands.

Boom and bust

The poor may be the principal victims of authoritarian rulers, but revolutions require support from—and frequently the leadership of—the middle- and upper-income groups.

In Iran, Nicaragua and the Philippines, the collapse of the economic boom cost the government the support of those classes that had profited most from modernization. The collapse was due in each case to a combination of external economic factors, internal mismanagement and corruption, and structural problems. In each case, some combination of egregious incompetence, corruption and flagrant abuse of political power served to alienate the business class.

The explosion of petroleum prices in 1973-74 quadrupled Iran's oil revenue almost overnight. The shah used the money to accelerate his modernization program at a pace which placed severe strains on the economy, creating bottlenecks and triggering massive inflation. When revenues fell short of expectations after 1974, the shah attempted to ease the crisis through measures that worked almost entirely at the expense of the business community. The government cut back on investment in domestic construction projects, forcing businesses to close and driving up unemployment. Arbitrary price controls were imposed to bring down inflation, and industrialists and shopkeepers were fined, banned from doing business, jailed or even exiled if they failed to comply.

In Nicaragua, the gap between the profits earned by the Nicaraguan business class and the vast wealth the Somozas and their friends amassed by siphoning huge amounts from the economy widened during the 1970s. Anastasio Somoza Debayle turned the earthquake that devastated the capital city of Managua in 1972 into a windfall for himself. He appropriated much of the aid money that poured in from other countries for his personal use, monopolized businesses essential for reconstruction and invested heavily in real estate speculation.

Nicaragua's inflation-recession cycles grew more severe following the earthquake, and unemployment also rose significantly. Conditions in the 1970s worsened for every economic group except the Somozas, whose greed alienated the middle and upper classes.

The boom in the Philippines was also cut short by the rise in the price of oil and a drop in the price of key exports, compounded by the effects of the Marcos regime's mismanagement and corruption. As the economy deteriorated, Marcos poured millions into lavish construction projects in Manila and bailed out friends' failing firms. Confidence evaporated as the situation worsened, and increasing amounts of capital left the country. The pace of capital flight accelerated after the murder in 1983 of Benigno Aquino, Marcos' chief opponent, who had just returned to Manila from exile in the U.S. Most Filipinos believed the assassination was the result of a military conspiracy, possibly carried out with Marcos' knowledge. Imelda Marcos, the powerful wife of the president, had privately warned Aquino not to return and had publicly said she was afraid Aquino would die if he came back.

After the murder, social unrest spread, investment dried up, production fell and unemployment and national indebtedness rose. Between 1983 and 1986, real per capita income fell 17%, wiping out the gains of the previous decade. Moreover, the subsequent coverup of the assassination, in the words of *Far Eastern Economic Review* correspondent Robert A. Manning, "transgressed the unwritten rules of Philippine politics, implying an absence of limits on official power, and a complete lack of accountability." Marcos' lost credibility and the deteriorating economy cost him the critical support of the business community and the Roman Catholic Church, which exercises considerable influence in a country that is 85% Catholic.

Revolutionary opposition

With many segments of the population already alienated by the uneven effects of economic growth and the government's abuses of political and economic power, the economic collapse in all three countries hardened the growing dissatisfaction. While mainstream elements supported and were actively involved in all three revolutions, the opposition also included radical groups whose influence grew as moderates became frustrated with their attempts to make their grievances heard by a government increasingly out of touch with its citizenry.

In Iran, leftists and liberals in the opposition joined with the radical clergy in overthrowing the government. Disillusioned with the promise of modernization and resentful of the Western values that the shah was imposing wholesale on their society, most Iranians were a receptive audience for the clergy's denunciations of the shah, his programs and his U.S. connections. In Nicaragua, the Sandinista Front for the Liberation of Nicaragua (named for Nicaraguan nationalist guerrilla Augusto Sandino, who was assassinated by Somoza Garcia in 1934) started as a small band of revolutionaries in the early 1960s. The Sandinistas emerged in 1979, after years of defeats and internal divisions, as the best organized and most powerful opposition group and was able to attract the support of the moderates. In the Philippines, a tiny Communist insurgency that

began in 1968 grew tenfold by 1986 to become an armed force some 20,000 strong. The Communists and Aquino's supporters, many of whom came from the same wealthy class as Marcos, had little in common aside from their opposition to the dictator.

The iron fist

As dissent spread, each dictator relied increasingly on the army to maintain order. But in Iran, the armed forces crumbled under pressure, and in Nicaragua the National Guard was so universally hated for its corruption and lack of discipline that its efforts did little more than galvanize the opposition. The uneven use of repression to quell dissent merely demonstrated, in former Carter Administration official Anthony Lake's words, that "a little repression is a dangerous thing." In Iran, fatalities during riots in the Muslim city of Qom in January 1978 set off a chain reaction. When the deaths were commemorated in memorial services held 40 days later, the ceremonies touched off new violence resulting in more deaths. In September 1978, the day after martial law was declared, a religious rally was held in Jaleh Square in Tehran. When the demonstrators refused to disperse, government troops opened fire, killing and wounding many. The incident, which came to be known as the Jaleh Square Massacre, transformed the sporadic unrest of the previous months into a mass revolutionary movement.

In Nicaragua, the murder in January 1978 of Pedro Joaquín Chamorro, publisher of the main opposition newspaper, *La Prensa*, sparked a nationwide strike and massive demonstrations. Chamorro was a popular figure from a prominent family, and most Nicaraguans believed Somoza was responsible for his death (although there is no evidence that he was). The demonstrations led in turn to further government brutality. In August of that year, Sandinistas led by Eden Pastora seized hostages in the National Palace and won a series of concessions before freeing them. The incident triggered a new wave of antigovernment activity throughout Nicaragua. In response, Somoza declared martial law, imposed military censorship on the press and ordered the National Guard to put down the uprising. The National Guard shelled towns suspected of harboring Sandinistas and killed thousands, many of whom were innocent civilians. The crackdown not only failed to halt the rebellion, but it raised an international outcry against Somoza.

A monument to Anastasio Somoza Garcia toppled by the earthquake that devastated Managua in 1972.

In the Philippines, the Aquino murder and the government's subsequent cover-up galvanized a wide range of anti-Marcos forces. Mass demonstrations were held almost weekly, and calls for reform from a wide spectrum of Philippine society led to unprecedented gains for opposition candidates in the May 1984 National Assembly elections—this despite some vote tampering by Marcos' supporters. When Marcos stole the February 1986 election from Corazon Aquino (wife of the slain opposition leader), he was opposed not only by the Catholic Church and the business community, but by his top two military men, Defense Minister Juan Ponce Enrile and Chief of Staff General Fidel Ramos. Marcos was toppled without bloodshed largely because the armed forces followed Enrile and Ramos and refused to support the president.

Revolution: wins and losses

BOTH THE IRANIAN and the Nicaraguan revolutions occurred during the Carter Administration, prompting conservative critics to accuse Carter of "losing" those countries. Were Carter's policies responsible for those "losses"? What influence, if any, did the U.S. have on the revolutions in Iran and Nicaragua? Could the outcome of either of these revolutions have been altered if the U.S. had adopted different policies?

The revolution in Iran caught the Carter Administration by surprise. Less than a month before the January 1978 rioting in Qom, Carter proclaimed the country "an island of stability in a turbulent corner of the world." That was the assessment of his best sources of information. An August 1977 CIA study stated that "there will be no radical change in Iranian political behavior in the near future"; another in August 1978—after eight months of sporadic rioting—pronounced Iran "not in a revolutionary or even a 'prerevolutionary' situation."

The U.S. had no reliable, independent sources of information in Iran who might have given U.S. officials a more accurate picture of the political situation in

the country. The shah, ever suspicious of foreign-sponsored plots to overthrow him, insisted that U.S. officials in Iran have nothing to do with Iranians not closely associated with the royal court. The CIA focused its efforts on Soviet activities in Iran and relied on SAVAK for information on internal dissent. Since the shah surrounded himself with only those Iranians who supported him and his policies absolutely, the U.S. was left in the dark, without an accurate picture of what was happening in the country during the period preceding the revolution. Officials in the U.S. embassy in Tehran were therefore poorly informed, and officials in Washington based decisions on what they heard from those sources, discounting other rumors and reports, many of which later proved to be accurate. The reigning view in Washington was that the shah was firmly in control and that any opposition was a nuisance, not a serious threat. Information that conflicted with this assessment was more often than not ignored; in a number of instances, studies that pointed out weaknesses in the shah's regime and the possibility of an impending American foreign policy debacle in Iran were buried at the lower levels of the State Department. "You couldn't give away intelligence on Iran," one analyst reported to Barry Rubin. The U.S. also did not learn until much later that the shah had cancer. Had the U.S. known of his illness, it might have changed its confident assessment of the shah's political future.

Delayed decisions

In November 1978, U.S. Ambassador to Iran William Sullivan cabled Washington that the shah was considering abdicating the throne. This news prompted the first high-level Carter Administration meeting on Iran—a full 10 months after the rioting in Qom and only 2 months before the shah left the country.

When the Administration recognized the seriousness of the situation, it was divided over how to respond. One approach, advocated by national security adviser Zbigniew Brzezinski, was to urge the shah to get tough with the opposition and set up a military government. If he failed to do so, Brzezinski thought the U.S. should still favor a military government to restore order. Otherwise, he believed, the U.S. would lose control of the situation as revolutionary forces—the most dangerous of whom he believed were leftists taking their orders from Moscow—grew stronger. Generally opposed to this hard-line approach were State Department officials, including Sullivan. They favored U.S. support for some kind of transitional arrangement under which Iran would be governed by a coalition of prominent opposition moderates. There was no agreement on the pace of political change that should be sought, and these disagreements among key policymakers prevented any one policy from being effectively pursued. Compounding the problem was the shah's indecision, possibly exacerbated by his illness. As he and the Carter Administration pondered their next moves, the revolutionary tide engulfed Iran.

In the case of Nicaragua, U.S. information about the opposition to Somoza was similarly limited. U.S. embassy officials, up until the time Carter took office, had dealings with only a handful of officials in Managua, and were therefore largely unaware of developments in the opposition.

When Carter came to office in early 1977, open dissent was spreading, and the National Guard's attempts to stamp it out were becoming increasingly brutal. Carter, who in his inaugural address had promised to make his commitment to human rights "a fundamental tenet of our foreign policy," threatened to cut off aid to Somoza unless he adopted reforms. The Administration hoped that if the regime made some concessions to the opposition, the rebellion would lose momentum. Somoza complied by easing press censorship and restoring a number of other constitutional guarantees suspended several years earlier, but the opposition was not appeased and instability grew.

Following the Sandinista attack on the National Palace in August 1978 and the subsequent Sandinista military offensive and government crackdown that September, the moderate opposition demanded Somoza's resignation. The Carter Administration, embroiled in a dispute over Somoza's chances of survival and the extent to which the U.S. should become involved in the struggle, arranged mediation between Somoza and the moderate opposition by the Organization of American States (OAS). (The OAS membership consists of some 30 Latin American nations plus the U.S.) Somoza refused to bend, however, and negotiations collapsed in January 1979. At that point, the Latin American Bureau at the State Department argued for forcing Somoza out, but others, like Robert Pastor of the National Security Council (NSC), argued that the U.S. should distance itself from Somoza but not intervene further in Nicaraguan politics. This view prevailed: U.S. military and economic aid to the regime was cut off in early 1979, and half the U.S. embassy personnel in Nicaragua were sent home. But the U.S. went no further in pushing Somoza to leave. It still hoped to mediate between Somoza and the moderate opposition, but by that point it had lost considerable credibility with moderate leaders, who were running out of patience.

The Administration's freedom of action was limited in part by support for Somoza in Congress. Carter needed congressional cooperation to finalize the treaties returning the Panama Canal Zone to Panama and to appropriate foreign aid funds. Somoza had friends in Congress who were in a position to block the relevant legislation, and may have threatened to do so if Carter acted to remove him. In the words of Alfonso Robelo, then one of the strongest moderate and pro-American figures in the opposition, "First, the U.S. came and told everyone they would put pressure on Somoza to go. They created false expectations. When Somoza's reaction was to say, 'Come and [remove me] physically,' they backed down."

The moderate opposition splintered following the collapse of the mediation effort. Several factions joined forces with the Sandinistas, who by then had assumed the leadership role in the movement to oust Somoza. Washington made one last futile attempt to help forge a moderate successor government to Somoza after the Sandinistas launched their "final offensive" in May 1979, but finally accepted the Sandinista-named Government of National Reconstruction, which included a number of moderates. Somoza left the country in July.

What went wrong?

Did the U.S. misjudge the situation in Iran and Nicaragua, or were its policies flawed?

The Carter Administration suffered, first of all, from a serious lack of accurate information: it was caught unprepared for both revolutions. The CIA's influence and effectiveness were at an all-time low in 1979, following the budget and staff cuts that resulted from the disclosure of questionable activities during the 1970s. Its operations in both Iran and Nicaragua were very limited. One former CIA Iran desk officer reported that only two CIA analysts even spoke Farsi (Persian), and he doubted that either of them had ever been to Iran.

Another critical factor, Sick and others believe, was that the Carter Administration had "a lot on its plate." It had under-

taken a number of major diplomatic initiatives when it came to office in early 1977, most of which came to fruition at approximately the same time as the crises in Iran and Nicaragua: the Camp David talks on Middle East peace (September 1978); negotiations on and ratification of the treaties returning the Panama Canal Zone to Panama (1977-78); the second round of strategic arms limitation talks (SALT II) with the Soviet Union (1977-79); and normalization of relations with the People's Republic of China (1977-79). All required intensive, high-level participation and distracted the attention of key officials from the growing trouble in Iran.

In the Iranian case, there was also considerable unwillingness, because of the extent to which U.S. interests in the Persian Gulf were tied to the shah's regime in Iran, to "think the unthinkable." The U.S. "was operating without a safety net," writes Sick. "Even the prospect of failure was not to be admitted: it was too painful to contemplate."

20-20 hindsight

Could the U.S. have altered the outcome of either revolution if it had acted differently? Conservatives, who considered the shah and Somoza reliable allies, believe the U.S. could have prevented their overthrow if only Carter had not let his concern for human rights interfere with U.S. national security policy. Jeane Kirkpatrick, a Georgetown University professor whose views on the subject of authoritarian versus totalitarian (that is, Communist) regimes won her the post of U.S. Ambassador to the United Nations in the Reagan Administration, wrote: "Get rid of rightist dictators, support the democratic left, promote reform, preempt the radicals, build democracy and development: thus went the theory that gave us the Ayatollah Khomeini and the Ortega brothers [Sandinista leaders Daniel and Humberto Ortega]."

But many liberals have argued that Carter's error was in not using U.S. leverage to pressure the shah and Somoza to implement reforms, and, if that failed, working actively to remove them. They argue that to have done so would have given the moderate elements in the opposition a more promising opportunity to shape the outcome of the revolution, and the U.S. a better chance at a good relationship with the successor government.

In both cases, however, the Carter Administration was operating under a variety of constraints. One was geographic. In the case of Iran, the U.S. was dealing with a country far from its own shores and bordering the Soviet Union. To have intervened more directly—either in favor of the shah or the opposition—would have posed logistical problems for the U.S., especially given the size and strength of the opposition. It would also have raised the risk of a confrontation with the Soviet Union, since Moscow would almost certainly have objected to U.S. meddling so close to home.

Another constraint was the political climate in the U.S. Americans had learned from Vietnam that even the great military power of the U.S. did not automatically give it the ability to direct the destiny of another country. Many Americans also questioned whether the U.S. had the right to try to do so. On Nicaragua, the NSC's Pastor summed up this sentiment: ". . . I felt that Carter should not overthrow a government. I felt that we were in the business too long and it was time to get out of that business." Carter also faced opposition from the right, especially from presidential candidate Ronald Reagan, who was accusing him of being soft on communism. For Carter to be seen as overthrowing an anti-Communist leader, whether dictator or democrat, would have hurt him politically.

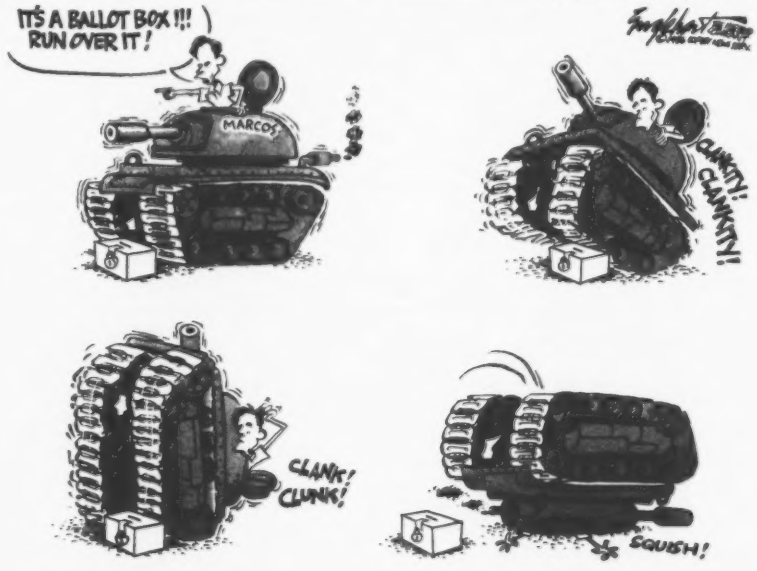
There were also internal factors in both Iran and Nicaragua that might have limited the effectiveness of U.S. policy no matter what Washington did. With the benefit of hindsight, analysts of the Iranian revolution such as Sick now think that the strength of the fundamentalist opposition and the deep hostility to the U.S. among most Iranians meant that the U.S. could have done little that would have changed the results in Iran. Sick writes, "Only in retrospect is it obvious that a good intelligence organization should have focused its attention on the religious schools, the mosques and the recorded sermons of an aged religious figure who had been living in exile for 14 years."

In Nicaragua, many liberal and conservative observers agree, the U.S. might have had some influence on the revolution in its early stages. But by early 1979, when the moderates threw in their lot with the well-armed and well-organized Sandinistas, it was too late.

Reagan and Marcos

In contrast to the revolutions of 1979, the U.S. had much more-extensive information on political developments in the Philippines, both in the capital and in the countryside. The U.S. was aware of the degree to which support for Marcos had eroded, and refused to make the error it had in Iran of not cultivating contacts with members of the moderate opposition. The U.S. was helped, too, by the fact that English is widely spoken in the Philippines: officials were not dependent upon a tiny percentage of analysts who spoke the language as they were in Iran.

When the Aquino murder sparked a political and economic crisis in August 1983, President Reagan signaled his concerns about possible Marcos involvement in the assassination and about the growing instability in the Philippines by canceling a trip to Manila.



Englehart

While continuing to give verbal and financial support to Marcos, the Administration pressured him to establish a credible panel to investigate the murder. The Administration also urged passage of a new succession law to provide for an orderly transfer of power should something happen to Marcos, who was known to be in poor health. Washington also pressed for a reform of the military and for fair National Assembly elections, scheduled for May 1984.

The Administration also urged the moderate opposition not to boycott the elections, despite concerns that they would be rigged in Marcos' favor. The large voter turnout and the opposition's success—winning one third of the seats despite tampering by Marcos—demonstrated to the Reagan Administration both the depth of popular dissatisfaction with Marcos and the strength of the moderate elements within the opposition. The elections were followed a month later by a pessimistic report by Admiral William Crowe, who visited Manila before ending his tour of duty as commander in chief of U.S. forces in the Pacific. Crowe's concerns about the growing Communist insurgency and Marcos' failure to implement needed reforms led to several Administration and congressional studies that were critical in building bipartisan support in Washington in favor of change—even if it meant that Marcos had to go.

Although it did not cut back U.S. aid, the Administration demonstrated its seriousness about the need for economic reform. The Administration voted against a $150 million World Bank agricultural loan for the Philippines in 1984. Some members of Congress thought the U.S. should go further in signaling its opposition to the Marcos government and favored making future aid contingent upon reforms in the human rights field. A bill passed in 1985 transferred $45 million from military to economic aid.

In November 1985, Marcos announced on American national television that he would call early elections. He did so at least in part at the suggestion of Senator Paul Laxalt (R-Nev.), a close friend of Reagan. Laxalt had been sent to Manila to urge Marcos to do something to shore up his sagging credibility. The principal U.S. goal at this time was to ensure a fair election rather than support any one candidate. This was partly out of concern that covert aid sent to opposition candidates could provoke a nationalist backlash against the U.S. if it were discovered. The Administration did keep in touch with moderate leaders, though, encouraging them to unite behind one candidate. Reagan also offered the winner of any fraud-free election more aid. Congress sent a team of observers to witness and report on preparations for the election.

In the aftermath of the February 7 election, when Marcos claimed a victory that clearly belonged to Aquino, Reagan initially urged both sides to work together. But Aquino's refusal to cooperate with the Marcos government, continued mass demonstrations in her favor, vocal support for her from the church and the defection of Ramos and Enrile convinced Reagan that Marcos had to step down if violence was to be averted. Because Reagan's credentials among conservatives were impeccable, he could afford to abandon an anti-Communist friend of the U.S.—a move that could have been political suicide for a Democratic president. Laxalt telephoned Marcos on February 25 advising him that the time had come to "cut and cut cleanly." Marcos had little choice. The U.S. provided the airplane that took Marcos, his family and some 80 close associates out of the country and offered him asylum in Hawaii. This paved the way for new Philippine President Corazon Aquino to begin to govern her troubled country.

Revolutionary postmortems

IN IRAN AND NICARAGUA, the governments that succeeded the shah and Somoza were faced with the need to restore internal stability, consolidate their power against external threats and internal challengers, and address the economic and social problems that created revolutionary conditions in the first place. The challenges were similar, but the outcomes have been very different.

The U.S. and Khomeini

In Iran, the ouster of the shah led to a long period of instability as the Islamic clergy, led by Khomeini, consolidated its victory. The U.S. was hampered by its failure to understand the kind of leadership it was up against and the enthusiastic support the revolution initially commanded among most Iranians. To them, the U.S. was the "Great Satan" whose pernicious influence had corrupted the shah and, through the White Revolution, all of Iranian society.

The Carter Administration had no links with Khomeini or his associates. The contacts it worked to strengthen in the months following the shah's departure were with the more-moderate elements of the opposition who were initially given roles in Khomeini's new government. They—and the U.S.—apparently expected Khomeini to leave the actual running of the government to them. Although divided among themselves, these men seemed to favor reestablishing some sort of relationship with the U.S. But moderates, it soon became apparent, were in a weak position, and associating with representatives of the Great Satan made their position still more precarious. U.S. efforts to establish rapport with the moderates were cut short when extremist Iranian students—almost certainly with Khomeini's knowledge—seized the American embassy and took 62 Americans hostage in November 1979, two weeks after the U.S. admitted the shah for cancer treatment. The resulting crisis lasted 444 days as the U.S. tried to win the hostages' release.

The strength of anti-American sentiment made Iran impervious to many of the conventional tactics—diplomatic pressure, economic sanctions and the like—which the U.S. tried in order to get the hostages out. The U.S. also received less support than it would have liked from its allies in imposing sanctions. After months of fruitless negotiations for the hostages' release, the U.S. launched an abortive rescue mission in April 1980. The eventual return of the hostages in January 1981 was due largely to an agreement worked out for the return of substantial Iranian assets in this country, frozen by Carter the previous November.

The hostages were released the day of Reagan's inauguration. For five years, the Reagan Administration apparently had no direct dealings with Khomeini's Iran, where the clergy is in full control of almost all aspects of soci-

ety. Defying any point of Islamic law as the government defines it can result in imprisonment or death. Amnesty International has confirmed that over 6,500 have been executed since Khomeini took power, but believes the actual numbers of killings to be "substantially higher."

Although officially neutral, Washington has "tilted" toward Iraq in the six-year-old Iran-Iraq war, providing economic aid, diplomatic support and intelligence information on Iranian troop movements to the Iraqi government. The U.S. has also condemned suspected Iranian support for international terrorism.

In November 1986, the press revealed that the U.S. had secretly been sending military equipment to Iran. According to officials, the purpose of the move was, in the short run, to gain Tehran's cooperation in securing the release of American hostages held in Lebanon by pro-Iranian extremists and to end Iran's support for terrorism. In the longer run, the Administration says the initiative was aimed at reopening communications with moderates in Iran. Khomeini, now in his late 80s, is said to be ailing, and there are reports of a growing rift between those in Iran's leadership who favor increased ties to the West and those who oppose them.

Reagan and the Sandinistas

In 1979, the Carter Administration decided to provide aid to the new government in Managua, hoping to encourage pluralism and friendly relations with the Sandinistas. Loans and grants were made available on condition that Nicaragua not provide any aid to the guerrillas fighting the government in neighboring El Salvador. But as the Sandinistas took control of key posts—Nicaragua's defense and police establishments, education, foreign affairs and the economy—and repeatedly postponed elections, many in the U.S. began to fear that they were planning to set up a Soviet- or Cuban-style totalitarian regime. The Sandinistas added to U.S. suspicions when Nicaragua negotiated trading agreements worth $100 million with the U.S.S.R. when congressional delays held up U.S. aid.

The Carter Administration suspended all aid just before it left office in January 1981, because it was convinced that the Sandinistas were sending arms to the Salvadoran rebels. Although evidence indicated that the flow of arms to El Salvador had fallen off in March 1981, the Reagan Administration decided that April to make the aid cutoff permanent, with the exception of money already "in the pipeline." After failing to win commitments from the Sandinistas to open up their political system, reduce contacts with Cuba and the Soviet Union, and abandon all attempts to export their revolution, Reagan in late 1981 authorized the CIA to arm, train and provide support to exiled anti-Sandinista Nicaraguans known as the "contras." The contras included both moderates, who had initially supported the revolution before becoming disillusioned with Sandinista policies, and Somoza supporters forced out of the country by the revolution.

Support for the contras has been supplemented by an increased U.S. military presence in Honduras and a series of large-scale military exercises. The U.S. has also successfully blocked loans from the World Bank and other multilateral lending institutions and imposed a full trade embargo against Nicaragua in May 1985.

The Reagan Doctrine

Reagan has not won support for the contras without a struggle. Congress cut funding for the contras in 1984, following revelations that the CIA had mined Nicaragua's harbors. The following year, the Administration was able to obtain only $27 million in "nonlethal" (nonmilitary) assistance. Reagan won $100 million in both military and nonlethal aid in August 1986, but only after months of effort and several lost votes earlier in the year. During the years when there was no government funding, private groups stepped in, apparently with some Administration assistance, to provide arms and aid to the rebels. Questions have been raised about the extent and legality of Administration assistance to these groups following the capture by Nicaragua of American Eugene Hasenfus in October 1986. Hasenfus, who was downed with a planeload of military equipment, said during his trial that he thought he was working for the CIA.

Nicaragua has become the first test of what columnist Charles Krauthammer first dubbed "the Reagan Doctrine," which "declares the legitimacy of American support" for insurgencies trying to unseat Communist regimes. In his February 1985 State of the Union address, Reagan expressed it this way: "We must not break faith with those who are risking their lives on every continent, from Afghanistan to Nicaragua, to defy Soviet-supported aggression and secure rights which have been ours from birth. . . . Support for freedom fighters is self-defense."

The Administration believes that continued pressure on the Sandinista government from the contras and the U.S. is the only thing that has preserved some freedoms for Nicaraguans and prevented the Sandinistas from exporting subversion and revolution to other Central American countries. The Sandinista regime has become less tolerant of internal dissent over the years. It has closed down *La Prensa*, muzzled key church figures who oppose its policies, cracked down on labor unions, and jailed and tortured those suspected of anti-Sandinista tendencies, according to the International League for Human Rights.

Administration critics, on the other hand, believe that U.S. policy has forced Nicaragua to arm itself against the possibility of U.S. attack and given the San-

dinista government an excuse for repressing internal dissent and for the economic hardships Nicaraguans are experiencing. In the words of Jaime Wheelock, Nicaragua's minister of agriculture, "As long as people perceive that we are on the side of the poor and dispossessed, and as long as they perceive that we are victims of a foreign aggression, they will be with the revolution. In this sense, it may even be that the aggression helps us. If we were at peace, it would be harder for us to explain the causes of economic problems." Says Robert Pastor, "We should figure out how to avoid being the *excuse* for the revolution's mistakes. Only U.S. actions can make Sandinista charges of American imperialism credible to their own people."

The Reagan Administration has at different times emphasized different objectives in U.S. policy toward Nicaragua. Past official Administration statements have stressed the necessity of supporting the contras to pressure the Sandinista government to make policy concessions. But in August 1986, Reagan acknowledged that he would support the contras' declared goal of overthrowing the Sandinista government, saying that if the Sandinistas refused to become more democratic, the "only alternative" for the contras would be "to have their way and take over."

The Reagan Administration believes that providing support to the contras will preclude the need for direct U.S. military involvement. But some fear that the contras will never be able to challenge the Sandinistas militarily or enjoy enough support within Nicaragua to oust the regime, even with U.S. support, and that U.S. troops will be required further down the road.

Others, among them Robert Leiken, an expert on Nicaragua at the Carnegie Endowment for International Peace, think that even if the contras cannot remove the Sandinistas from power, sustained military and diplomatic pressure on the government could force the junta to call new elections. *The New Republic*'s Michael Walzer suggests that the Reagan Administration may not believe that the contras can win, but is more concerned that they not lose. Given the political realities in this country, Walzer thinks, this will enable Reagan "to put off for as long as possible the moment when [he] must choose between acknowledging that Nicaragua is 'lost' and sending in the Marines."

Opponents of contra aid question support for a group that includes former Somoza supporters and National Guard officers, some of whom have been charged with murder, others with corruption and misuse of U.S. funds. Some also question whether Nicaragua, without large quantities of vital resources or a significant strategic location, poses a real danger to U.S. national security, Communist or not. Barring the danger of emplacement of Soviet missiles in Nicaragua, which few think likely, many believe the danger to be overstated. The Administration has responded that the Sandinistas, with the largest army in the region, pose a threat to their neighbors that only the U.S. is strong enough to meet.

A democratic future?

"People [will] expect . . . miracles," Corazon Aquino's husband once speculated of Marcos' successor. The challenges facing the Philippines and its new democratic government are serious. Aquino's first priority is to rescue the failing economy in such a way as to retain the support of the business community that helped her to power, as well as to address the grievances of the country's poorest. Some 37 million people—two thirds of the population—live below the poverty line ($1,170 per household per year). Fifteen percent of the working-age population is unemployed. Lack of housing and malnutrition affect millions. The Philippine national debt totals some $26 billion, and interest on the debt consumes over $2 billion a year—approximately half of annual foreign exchange earnings.

Although the ouster of Marcos cost the Communist insurgency some support, poverty and intimidation have helped create a large Communist force active in almost 8,000 Philippine villages. Until Aquino revitalizes the economy, the military and the judicial system and restores public confidence in those institutions, observers warn, her government will not be able to counter the growing insurgency.

Aquino's early attempts to address these problems have put her at odds with some members of her government who were united in their determination to oust Marcos but have little else in common. Defense Minister Enrile, for example, has been increasingly vocal in his criticism of her approach to the Communists, with whom she is trying to negotiate a settlement while she rebuilds the armed forces. Commented one Filipino, Aquino and Enrile "share a common goal: they both want to be President." Many believe the Aquino government cannot survive without Enrile's support. "They are triplets, whether they like it or not: Cory Aquino, Enrile and Ramos," says one Philippine colonel. "As long as these three stay together, the government stands. If they break up, it falls."

U.S. relations with the Aquino government have been cordial but uneasy, observers note. The Reagan Administration is reportedly concerned that Aquino is not dealing firmly enough with the Communist insurgency, although officially Reagan told her when she visited the U.S. in September 1986 to meet U.S. policymakers and business leaders that he supports her efforts at negotiations "fully and completely."

So far, the U.S. has responded positively to the Aquino government's requests for aid, although not on the massive scale Manila had hoped for. In June 1986, the Reagan Administration released $200 million already appropriated, won an additional $150 million from Congress and converted a $100 million loan to a grant. In early October, Congress voted an additional $200 million after the Senate reversed an earlier vote to deny the funding.

In addition, the Administration has done what it can to encourage confidence in the Philippine economy. As Secretary of State George P. Shultz told a Foreign Policy Association audience in New York in May 1986, he is "bullish" on the Philippines and has urged the business community to invest in that country.

A continuing U.S. concern is the future of the U.S. military bases. Aquino has said she will abide by the existing bases agreement until it expires in 1991. At that point, according to a provision in the new Philippine constitution, any extension of the leases will require approval by the Philippine Senate. The bases have long drawn fire in the Philippines as a vestige of the islands' colonial past, and there is concern in the U.S. that the agreements will not be renewed as Filipinos seek a new identity more independent of the U.S.

It is too early to tell whether democracy will triumph in the Philippines. It is worth noting, though, that the Philippines has had a successful experience with democracy before, whereas Iran and Nicaragua never did.

Lessons learned?

Are there any general lessons that can be learned from U.S. experiences with revolution during the past decade? How should the U.S. deal with revolutions in other countries? The following are some policy options for the U.S. to consider in the future.

■ **1.** Support governments that strongly oppose communism, regardless of their political systems.

Pro: U.S. national security must be the bottom line of any foreign policy. The major threat to U.S. security is the Soviet Union, which has expansionist ambitions. Staunch U.S. support for anti-Communist allies—dictators or democrats—is the only realistic way for the U.S. to prevent the political instability that provides fertile soil for the spread of communism. However repressive right-wing dictatorships may be, in Jeane Kirkpatrick's words, people living under Communist regimes will "enjoy fewer freedoms and less personal security."

Con: It is, writes former Secretary of State Cyrus Vance, a "dangerous illusion . . . that pursuing values such as human rights in U.S. foreign policy is incompatible with pursuing U.S. national interests." It is contrary to the national interest to wink at repressive policies that eventually lead to instability and breed revolution. Popular support in this country and elsewhere is essential to sustain any foreign policy. As a confidential State Department memorandum recognized in 1981, "we will never maintain wide public support for our foreign policy unless we can relate it to American ideals and to the defense of freedom."

■ **2.** Support revolutions that claim to aspire to freedom and the fulfillment of political, civil and human rights.

Pro: Born of a revolution fought in the name of freedom, this country should be at the forefront of efforts to help others to overthrow tyranny, whether of the right or left. If the U.S. does not take the lead in defending basic human rights and liberties, they will not be defended by anyone else.

Con: The U.S. can use leverage to press governments to reform, but helping to destabilize a country's rulers—especially during a crisis—can set in motion a chain of events whose ultimate outcome the U.S. cannot accurately predict or dictate. Unexpected results could include a regional war, which might or might not involve the U.S., or the establishment of a government worse for both the country's people and the U.S.

■ **3.** Maintain cool and correct relations with governments while urging reforms where needed and cultivating contacts with moderate elements in the opposition.

Pro: If the U.S. is not universally identified with an unpopular regime in the minds of the country's population, as it was in Iran, and has contacts with opposition groups, it can both influence the existing government's policies and assure itself a channel of communication with the new leadership if the government is overthrown. So far, this seems to be the case in the Philippines.

Con: By playing both sides, the U.S. may lose whatever influence it might otherwise have to convince the existing government to reform its policies. Open U.S. criticism of the government or contact with opposition groups could actually increase the chances of a revolution whose outcome is unpredictable and could lead to greater tyranny.

■ **4.** Refrain from interfering in the domestic affairs of other countries.

Pro: An interventionist U.S. policy does not respect the sovereignty of other nations and violates international law. The U.S. must recognize that there are limits to its ability to impose its views and values on others, and content itself with accepting a greater degree of diversity in the form of political organization other countries choose.

Con: To refuse to use American power to promote democracy is, in the words of Heritage Foundation analyst W. Bruce Weinrod, "to allow the most disciplined and violent forces to triumph"—which may well be the forces of communism, as was the case in Nicaragua. A world in which most governments are Communist is a far cry from a world of diversity.

Nine months after President Corazon Aquino administered the oath of office to Juan Ponce Enrile, she dismissed the increasingly belligerent defense minister, possibly averting the danger of a coup.

★ ★ ★

Are there really any hard and fast rules for dealing with revolution? Or does the U.S. need to evaluate each one separately in coming up with a policy for dealing with it?

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For Discussion

1. The Philippine revolution resulted in a democratic government; the revolutions in Iran and Nicaragua did not. In retrospect, what, if anything, could the U.S. have done to alter the outcome of those revolutions? Did the U.S. make any major policy errors? How much control, if any, did the U.S. have over the outcome?

2. If you were to cite the one overriding reason for the U.S. inability to help shape the outcome of the Iranian revolution, what would it be? Would the same reason also apply to the Nicaraguan revolution?

3. How have changing public attitudes in the U.S. on the use of American power abroad affected U.S. policy toward revolution? Do you think the effects have been positive or negative?

4. The Constitution provides for congressional checks on a president's foreign policymaking powers. How have these checks affected U.S. policy toward the revolutions discussed in this article? Do you think these checks have a positive or negative impact on policymaking during times of crisis?

5. You are the president of the U.S. and you have an ally who is a staunch anti-Communist and also a repressive dictator who is beginning to face some dissent at home. You urge him to implement reforms, and he does too little and not quickly enough. What should you do next? Do you favor an active policy of supporting the moderate opposition in his country, or would you choose to follow a hands-off policy?

6. Do you believe that the Reagan Administration's current policy toward Nicaragua is the most effective way to help create democracy in that country? Why? If not, what would you suggest as an alternative?

7. What steps, if any, do you think the U.S. should consider if instability continues to grow in the Philippines?

8. President Reagan, in marshaling support for aid to the contras last summer, said "We stood for democracy in the Philippines. We have to stand for democracy in Nicaragua." Do you think the cases are parallel? Do they call for similar U.S. responses? Why or why not?

9. Do you see dangers, advantages, or some of each in proclaiming a doctrine, like the Reagan Doctrine, as a guide for U.S. foreign policy?

Suggested Readings

Booth, John A., **The End and the Beginning: The Nicaraguan Revolution,** 2d ed. Boulder, Colo., Westview Press, 1985. 279 pp., $14.95 (paper). Account of the revolution's background and course.

Brinton, Crane, **The Anatomy of Revolution,** rev. ed. New York, Vintage Books, 1965. 310 pp., $4.95 (paper). Classic analysis of why revolutions happen and what signs to look for next time around.

Krauthammer, Charles, "Bringing a Third Force to Bear," **Time**, March 10, 1986, p. 84. Columnist who coined the term "Reagan Doctrine" urges the use of American influence to help build "a middle, democratic, third way" between totalitarianism and communism in "friendly countries ruled by dictators."

Landé, Carl H., and Hooley, Richard, "Aquino Takes Charge." **Foreign Affairs**, Summer 1986, pp. 1087-1107. A review of the problems Marcos left behind and the challenges Aquino faces.

Nuccio, Richard A., **What's Wrong, Who's Right In Central America? A Citizen's Guide**. New York, Facts on File Publications for the Roosevelt Center for American Policy Studies, 1986. 136 pp., $15.95. Presents historical background and verbal "snapshots" of each Central American country today; then sets forth the current policy debate and tells readers how they can influence that debate.

Reagan, Ronald, "Freedom, Regional Security and Global Peace." **Department of State Bulletin**, May 1986, pp. 32-36. President tells Congress that although "Soviet-style dictatorships . . . are an almost unique threat to peace," the U.S. opposes "tyranny in whatever form, whether of the left or of the right," and remains committed to the active defense and advancement of democracy, freedom and human rights throughout the world."

Rosenfeld, Stephen S., "The Guns of July." **Foreign Affairs**, Spring 1986, pp. 698-714. A skeptical analysis of the Reagan Doctrine.

Sick, Gary, **All Fall Down: America's Tragic Encounter with Iran**. New York, Random House, 1985. 366 pp., $19.95. Account of the Iranian revolution and hostage crisis told by a White House insider, the top National Security Council aide for Iran.

Solarz, Stephen J., "When to Intervene." **Foreign Policy**, Summer 1986, pp. 20-39. Chairman of the Subcommittee on Asian and Pacific Affairs of the House Foreign Affairs Committee says the U.S. "should decide which resistance movements to support on a case-by-case basis."

For further in-depth reading, write for the GREAT DECISIONS '87 *Bibliography (see page 2).*

ILLUSTRATION CREDITS: pp. 77 and 85, Reuters/Bettmann Newsphotos; p. 79, UPI/Bettmann Newsphotos.

OPINION BALLOT '86 HIGHLIGHTS

Topic 1: **HOW FOREIGN POLICY IS MADE: The Case of Central America** — Ballots tabulated: 3,019

Issue A. How would you rate the following actors in terms of their influence on foreign policymaking?

	Too Much Influence	Right Amount of Influence	Too Little Influence
	%	%	%
a. President	35	58	8
b. Presidential advisers	48	45	7
c. Congress	18	54	28
d. State Department	13	55	32
e. Defense Department	63	30	7
f. Central Intelligence Agency	59	33	9
g. Press and Television	62	33	5
h. Public	6	25	70
i. Lobbyists	75	19	7

Issue B. The most important goal of U.S. policy toward Central America is to:

	%
1. Prevent Communist expansion by any means necessary, including military force.	16
2. Prevent Communist expansion by any means necessary, except military force.	13
3. Promote democracy by withholding support from governments that violate political and human rights.	25
4. Promote economic and social development by increasing U.S. economic aid and trade.	41
5. Other	4

Topic 2: **'STAR WARS' AND THE GENEVA TALKS: What Future for Arms Control?** — Ballots tabulated: 4,294

Issue A. With regard to the Strategic Defense Initiative, the U.S. should:

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
	%	%	%	%
a. Agree to scale down the SDI program because it will provoke a new arms race and is harmful to U.S. security.	39	28	17	16
b. Agree to limit development of SDI in return for significant Soviet reductions in offensive weapons.	41	39	12	9
c. Treat SDI as nonnegotiable and proceed with development, even if it means forgoing an arms control agreement.	11	14	20	55

Topic 3: **DEMOCRACY IN LATIN AMERICA: Focus on Argentina and Brazil** — Ballots tabulated: 4,161

Issue A. In its policy toward the Latin American debt crisis, the U.S. should:

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
	%	%	%	%
a. Let Latin American countries work out their own solutions with the IMF and banks.	28	45	20	7
b. Press the IMF and banks to work out lenient terms with Latin American debtors.	26	49	20	6
c. Offer assistance to Latin American countries that undertake austerity programs.	27	48	19	6
d. Lessen emphasis on austerity and make new loans designed to promote growth.	15	33	31	22
e. Reduce tariffs and eliminate quotas on imports from Latin America to help debtors earn foreign exchange to repay debts.	25	45	23	8
f. Initiate a new Alliance for Progress with Latin America.	42	41	12	5

Issue B. In its relations with Latin American countries, the U.S. should:

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
	%	%	%	%
a. Give priority to improving relations with democratic governments.	61	33	5	1
b. Give priority to assisting countries where U.S. interests are threatened.	24	49	21	7
c. Give priority to improving relations with governments that support U.S. policies, regardless of whether they are democratic or authoritarian.	16	36	28	21
d. Follow a policy of benign neglect toward those countries in which the U.S. has no major interests.	6	19	35	40

Topic 4: **INTERNATIONAL TERRORISM: In Search of a Response** — Ballots tabulated: 4,081

Issue A. How would you rate the following steps in terms of their effectiveness in fighting international terrorism?

	Very Effective	Somewhat Effective	Not Very Effective
	%	%	%
a. Tighten airport security.	54	41	4
b. Station U.S. sky marshals on flights.	20	45	35
c. Boycott unsafe airports.	46	37	17
d. Tighten security at embassies.	48	46	6
e. Improve intelligence capabilities.	68	28	4
f. Pressure countries that sponsor terrorism.	45	39	16
g. Attack terrorist bases before they can be used to launch attacks.	23	27	50
h. Improve international cooperation to catch and prosecute terrorists.	73	23	4
i. Give priority to eliminating the causes of terrorism.	57	29	14
j. Negotiate for the release of hostages.	27	43	30
k. Retaliate against terrorist groups that attack U.S. citizens or property.	33	35	33
l. Limit media coverage of terrorist actions.	43	39	18

Topic 5: **EUROPEAN COMMUNITY AND THE U.S.: Friction Among Friends** — Ballots tabulated: 3,606

Issue A. How would you rate the following steps in terms of their effectiveness in improving U.S. competitiveness in world trade?

	Very Effective	Somewhat Effective	Not Very Effective
	%	%	%
a. Reduce value of the dollar.	41	49	11
b. Raise tariffs to protect U.S. industries.	8	29	63
c. Subsidize U.S. exports.	9	47	45
d. Improve productivity of industry.	77	19	4
e. Let market forces take their course.	31	45	24
f. Encourage a new round of international trade negotiations.	49	43	8

Issue B. Should the U.S. encourage further economic and political integration of the European Community?

Yes 86%
No 15%

Totals may not add to 100% because of rounding.

Copies of the Opinion Ballot Report, available from FPA, are $1.00 each (prepaid).

Topic 6: **THIRD WORLD DEVELOPMENT: Old Problems, New Strategies?** — Ballots tabulated: 3,949

Issue A. In its relations with the Third World, the U.S. should:

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
	%	%	%	%
a. Increase development assistance.	37	43	15	6
b. Increase military assistance.	2	13	33	52
c. Maintain present level of foreign aid, but spend more on development, less on military aid.	47	40	10	4
d. Maintain present level of foreign aid, but spend more on military aid, less on development.	1	6	25	68
e. Maintain present level and distribution of foreign aid.	8	35	37	20
f. Channel more aid through multilateral organizations.	31	39	20	11
g. Channel more aid through bilaterial programs.	13	39	35	13
h. Leave foreign aid to private voluntary organizations.	11	26	33	30

Topic 7: **ISRAEL AND THE U.S.: Friendship and Discord** — Ballots tabulated: 3,290

Issue A. In its economic and military policy toward Israel, the U.S. should:

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
	%	%	%	%
a. Increase aid to Israel in order to help it through its economic crisis.	12	27	33	28
b. Continue present level of aid.	16	36	32	16
c. Cut back aid because high aid levels increase Israel's dependence on the U.S.	20	33	30	18
d. Attach additional conditions to U.S. aid to assure its use for defensive purposes.	39	33	15	13

Topic 8: **RELIGION IN INTERNATIONAL POLITICS: Why the Resurgence?** — Ballots tabulated: 2,818

Issue B. Respondents were asked to rank from most effective (1) to least effective a series of policies dealing with religious resurgence. Below are the top three items ranked in order of effectiveness:

1. Emphasize language and cultural training for diplomats.
2. Expand and improve intelligence efforts so the U.S. has early warning of hostile religious movements.
3. Strengthen U.S. information programs in countries where religious groups promoting anti-U.S. viewpoints are prominent.

(detach along dotted lines)

Opinion Ballot

Topic 1: The Constitution and Foreign Policy

For the issue listed below, please indicate your reaction by checking one column for every policy option listed. Read a, b and c before checking your responses.

Issue A. Public opinion plays an important role in the struggle for power to make foreign policy. In your opinion, what changes should take place?

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. The present balance of power between the President and Congress in making foreign policy is about right.	☐	☐	☐	☐
b. Congress should play a more active role in foreign policymaking.	☐	☐	☐	☐
c. The President should have a freer hand to make foreign policy.	☐	☐	☐	☐

Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

(detach along dotted lines)

Opinion Ballot

Topic 1: The Constitution and Foreign Policy

For the issue listed below, please indicate your reaction by checking one column for every policy option listed. Read a, b and c before checking your responses.

Issue A. Public opinion plays an important role in the struggle for power to make foreign policy. In your opinion, what changes should take place?

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
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Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

(detach along dotted lines)

Opinion Ballot

Topic 2: Defense and the Federal Deficit

For the issue listed below, please check the box to the left of the statement that comes closest to expressing your opinion. Check one box only.

Issue A. In setting Federal spending levels, the U.S. should:

- ☐ **1**. Spend as much on defense as the Administration considers necessary for security and reduce the Federal deficit by making cuts in nondefense areas.
- ☐ **2**. Hold defense spending to current levels, adjusting for inflation, and tailor U.S. strategy and commitments to match available resources.
- ☐ **3**. Reduce the Federal deficit by making across-the-board budget cuts, including defense.
- ☐ **4**. Cut the defense budget and reorder defense priorities.
- ☐ **5**. Other .....

Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

Opinion Ballot

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Issue A. In setting Federal spending levels, the U.S. should:

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- ☐ **4**. Cut the defense budget and reorder defense priorities.
- ☐ **5**. Other .....

Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

For the issue listed below, please indicate your reaction by checking one column for every policy option listed. Read a, b, c and d before checking your responses.

Issue B. With regard to the role of international law in foreign policy, the U.S. should:

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. Obey international law, however imperfect, because the alternative is to promote international lawlessness.	☐	☐	☐	☐
b. Obey international law in order to provide an example for other countries to follow.	☐	☐	☐	☐
c. Obey international law when it advances U.S. national interests.	☐	☐	☐	☐
d. Consider international law irrelevant to U.S. foreign policy, as most of the important issues cannot be resolved by means of law.	☐	☐	☐	☐

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

For the issue listed below, please indicate your reaction by checking one column for every policy option listed. Read a, b, c and d before checking your responses.

Issue B. With regard to the role of international law in foreign policy, the U.S. should:

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c. Obey international law when it advances U.S. national interests.	☐	☐	☐	☐
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MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

In planning future GREAT DECISIONS programs, we would find it helpful to know more about participants and would appreciate your answers to the questions below.

A. *How many years have you participated in the GREAT DECISIONS program (that is, attended one or more discussion sessions)?*
☐ 1. *This is the first year I have participated.*
☐ 2. *I participated in one previous year.*
☐ 3. *I participated in more than one previous year.*

B. *What is your age?*
☐ 1. *17 or under*
☐ 2. *18 to 30*
☐ 3. *31 to 45*
☐ 4. *46 to 60*
☐ 5. *61 or over*

C. *Your sex?*
☐ 1. *Female*
☐ 2. *Male*

D. *Are you currently a student?*
☐ 1. *Not a student*
☐ 2. *Enrolled in high school*
☐ 3. *Enrolled in college*
☐ 4. *Enrolled in graduate school*
☐ 5. *Enrolled in adult education course(s)*

E. *What is the highest level of formal education you have completed?*
☐ 1. *Some high school*
☐ 2. *High school graduate*
☐ 3. *Some college*
☐ 4. *College graduate*
☐ 5. *Advanced degree*

F. *How often are you asked for your opinion on foreign policy matters?*
☐ 1. *Often*
☐ 2. *Sometimes*
☐ 3. *Hardly ever*

G. *One final question. Would you say you have or have not changed your opinion in a fairly significant way as a result of taking part in the GREAT DECISIONS program?*
☐ 1. *Have*
☐ 2. *Have not*
☐ 3. *Uncertain*

MAIL YOUR BALLOT
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See instructions on page 4

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☐ 2. *Have not*
☐ 3. *Uncertain*

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

Opinion Ballot

Topic 3: Egypt and the U.S.

For each issue listed below, please indicate your reaction to every policy option listed. Check one box for each option.

Issue A. The U.S. should:

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. Strengthen ties to Egypt even if it means distancing itself from Israel.	☐	☐	☐	☐
b. Reduce Egypt's debt burden.	☐	☐	☐	☐
c. Reduce pressure on Egypt to conform to U.S. policies.	☐	☐	☐	☐
d. Seek Egypt's continued military cooperation.	☐	☐	☐	☐
e. Tie U.S. aid to Egypt's improving relations with Israel.	☐	☐	☐	☐
f. Distance itself from Egypt, recognizing that Egypt's priority is to improve relations with its Arab neighbors.	☐	☐	☐	☐

★ ★ ★

Comment .....

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Your zip code _____ _____ _____ *(continued on reverse side)*
(first 3 digits only)

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Opinion Ballot

Topic 3: Egypt and the U.S.

For each issue listed below, please indicate your reaction to every policy option listed. Check one box for each option.

Issue A. The U.S. should:

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. Strengthen ties to Egypt even if it means distancing itself from Israel.	☐	☐	☐	☐
b. Reduce Egypt's debt burden.	☐	☐	☐	☐
c. Reduce pressure on Egypt to conform to U.S. policies.	☐	☐	☐	☐
d. Seek Egypt's continued military cooperation.	☐	☐	☐	☐
e. Tie U.S. aid to Egypt's improving relations with Israel.	☐	☐	☐	☐
f. Distance itself from Egypt, recognizing that Egypt's priority is to improve relations with its Arab neighbors.	☐	☐	☐	☐

★ ★ ★

Comment .....

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Your zip code _____ _____ _____ *(continued on reverse side)*
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Opinion Ballot

Topic 4: The Pacific Basin

Issue A. How would you rate the following policies in terms of their effectiveness in strengthening the U.S. role in the Pacific Basin? The U.S. should:

	1 Very Effective	2 Somewhat Effective	3 Not Very Effective
a. Maintain the present policy of not disclosing whether a ship is carrying nuclear weapons.	☐	☐	☐
b. Press Japan to assume a greater share of the defense of the Pacific.	☐	☐	☐
c. Make concessions to New Zealand to repair the ANZUS alliance.	☐	☐	☐
d. Negotiate force reductions of Pacific fleets with the Soviet Union.	☐	☐	☐
e. Support a nuclear-free zone in the Pacific.	☐	☐	☐
f. Support the democratic opposition in countries with authoritarian leaders.	☐	☐	☐
g. Support governments that share U.S. strategic goals, regardless of their politics.	☐	☐	☐

Your zip code _____ _____ _____ *(continued on reverse side)*
(first 3 digits only)

(detach along dotted lines)

Opinion Ballot

Topic 4: The Pacific Basin

Issue A. How would you rate the following policies in terms of their effectiveness in strengthening the U.S. role in the Pacific Basin? The U.S. should:

	1 Very Effective	2 Somewhat Effective	3 Not Very Effective
a. Maintain the present policy of not disclosing whether a ship is carrying nuclear weapons.	☐	☐	☐
b. Press Japan to assume a greater share of the defense of the Pacific.	☐	☐	☐
c. Make concessions to New Zealand to repair the ANZUS alliance.	☐	☐	☐
d. Negotiate force reductions of Pacific fleets with the Soviet Union.	☐	☐	☐
e. Support a nuclear-free zone in the Pacific.	☐	☐	☐
f. Support the democratic opposition in countries with authoritarian leaders.	☐	☐	☐
g. Support governments that share U.S. strategic goals, regardless of their politics.	☐	☐	☐

Your zip code _____ _____ _____ *(continued on reverse side)*
(first 3 digits only)

Issue B. U.S. aid to Egypt should be:

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. Given on a cash grant basis (rather than for projects designated by the U.S.) in recognition of Egypt's need for aid and its regional importance.	☐	☐	☐	☐
b. Given only for projects approved by AID.	☐	☐	☐	☐
c. Tied to Egypt's adopting a sound program of economic reforms.	☐	☐	☐	☐
d. Tied to Egypt's improving relations with Israel.	☐	☐	☐	☐
e. Substantially reduced.	☐	☐	☐	☐
f. Increased for economic, not military, projects.	☐	☐	☐	☐

g. Other (please describe) .....

★ ★ ★

Comment .....

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

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d. Tied to Egypt's improving relations with Israel.	☐	☐	☐	☐
e. Substantially reduced.	☐	☐	☐	☐
f. Increased for economic, not military, projects.	☐	☐	☐	☐

g. Other (please describe) .....

★ ★ ★

Comment .....

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

Issue B. For the following trade issues, please indicate your reaction by checking one column for every policy option listed.

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. The U.S. should protect its industries against foreign competition since other countries protect theirs.	☐	☐	☐	☐
b. The U.S. should wait and see whether Japan and other countries open their markets wider to U.S. exports before imposing protectionist measures.	☐	☐	☐	☐
c. The U.S. should adhere to a policy of reciprocal free trade.	☐	☐	☐	☐
d. The U.S. should not impose protectionist policies because they will not solve the problem of the trade deficit.	☐	☐	☐	☐
e. The U.S. should seek ways to make U.S. goods and services more competitive in international trade.	☐	☐	☐	☐

MAIL YOUR BALLOT
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c. The U.S. should adhere to a policy of reciprocal free trade.	☐	☐	☐	☐
d. The U.S. should not impose protectionist policies because they will not solve the problem of the trade deficit.	☐	☐	☐	☐
e. The U.S. should seek ways to make U.S. goods and services more competitive in international trade.	☐	☐	☐	☐

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See instructions on page 4

(detach along dotted lines)

Opinion Ballot

Topic 5: South Africa

Issue A. What should be the primary goal of U.S. policy toward South Africa? Rank the following from "1" (most important) to "6" (least important).

____ a. Improve relations with the frontline states.
____ b. Release Nelson Mandela.
____ c. End apartheid.
____ d. Prevent communism.
____ e. Ensure peaceful change.
____ f. Protect minority rights.

Issue B. How would you rate the following policies in terms of their effectiveness in ending apartheid? Please check one column for every policy option listed.

	1 Very Effective	2 Somewhat Effective	3 Not Very Effective
a. Constructive engagement.	☐	☐	☐
b. Divestiture.	☐	☐	☐
c. Aid to nongovernmental democratic groups.	☐	☐	☐
d. More sweeping economic sanctions.	☐	☐	☐
e. Assistance in negotiating a power-sharing arrangement.	☐	☐	☐

Your zip code _____ _____ _____ (first 3 digits only) *(continued on reverse side)*

(detach along dotted lines)

Opinion Ballot

Topic 5: South Africa

Issue A. What should be the primary goal of U.S. policy toward South Africa? Rank the following from "1" (most important) to "6" (least important).

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____ b. Release Nelson Mandela.
____ c. End apartheid.
____ d. Prevent communism.
____ e. Ensure peaceful change.
____ f. Protect minority rights.

Issue B. How would you rate the following policies in terms of their effectiveness in ending apartheid? Please check one column for every policy option listed.

	1 Very Effective	2 Somewhat Effective	3 Not Very Effective
a. Constructive engagement.	☐	☐	☐
b. Divestiture.	☐	☐	☐
c. Aid to nongovernmental democratic groups.	☐	☐	☐
d. More sweeping economic sanctions.	☐	☐	☐
e. Assistance in negotiating a power-sharing arrangement.	☐	☐	☐

Your zip code _____ _____ _____ (first 3 digits only) *(continued on reverse side)*

(detach along dotted lines)

Opinion Ballot

Topic 6: Foreign Investment in the U.S.

For each issue listed below, please check the box to the left of the statement that comes closest to expressing your opinion. Check one box only.

Issue A. With regard to U.S. policy toward foreign investment, the U.S. should:

☐ 1. Encourage foreign investment and continue to follow a policy of nondiscrimination.
☐ 2. Welcome foreign investment but increase reporting requirements.
☐ 3. Pass reciprocity laws to encourage a more open global investment policy.
☐ 4. Restrict investments by foreign multinational corporations in the U.S.

Issue B. In general, foreign investment in the U.S.:

☐ 1. Has been beneficial to the U.S. economy.
☐ 2. Has been harmful to the U.S. economy.

Your zip code _____ _____ _____ (first 3 digits only) *(continued on reverse side)*

Opinion Ballot

Topic 6: Foreign Investment in the U.S.

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☐ 2. Welcome foreign investment but increase reporting requirements.
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☐ 4. Restrict investments by foreign multinational corporations in the U.S.

Issue B. In general, foreign investment in the U.S.:

☐ 1. Has been beneficial to the U.S. economy.
☐ 2. Has been harmful to the U.S. economy.

Your zip code _____ _____ _____ (first 3 digits only) *(continued on reverse side)*

★ ★ ★

Comment .....

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MAIL YOUR BALLOT
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Comment .....

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See Instructions on page 4

(detach along dotted lines)

Opinion Ballot

Topic 7: Pakistan and Afghanistan

For the issue listed below, please check the box which comes closest to your opinion. Check one box only.

Issue A. In its relations with Pakistan, the U.S.:

- ☐ **1**. Should continue to support the Zia government.
- ☐ **2**. Should continue giving aid in recognition of Pakistan's support for U.S. policy toward Afghanistan.
- ☐ **3**. Should reduce or cut off aid unless Pakistan curbs its nuclear program.
- ☐ **4**. Should reduce or cut off aid unless Pakistan improves human rights.
- ☐ **5**. Should disassociate itself from the Zia government.
- ☐ **6**. Should ally itself with India instead of Pakistan.

★ ★ ★

Comment .....

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Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

(detach along dotted lines)

Opinion Ballot

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For the issue listed below, please check the box which comes closest to your opinion. Check one box only.

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☐ 4. Should reduce or cut off aid unless Pakistan improves human rights.
☐ 5. Should disassociate itself from the Zia government.
☐ 6. Should ally itself with India instead of Pakistan.

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Comment .....

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Your zip code ____ ____ ____ (continued on reverse side)
(first 3 digits only)

(detach along dotted lines)

Opinion Ballot

Topic 8: Dealing with Revolution

For the issue below, please indicate your reaction by checking one column for every policy option listed.

Issue A. In dealing with revolutions in other countries, the U.S. should:

	1 Agree Strongly	2 Agree Somewhat	3 Disagree Somewhat	4 Disagree Strongly
a. Stay out of the domestic affairs of other countries to avoid breeding resentment and because there are limits to U.S. influence.	☐	☐	☐	☐
b. Maintain "cool and correct" relations with existing governments, urge reforms where needed and keep lines open to moderate opposition groups.	☐	☐	☐	☐
c. Support revolutions that claim to aspire to freedom and human rights, because the U.S. should be a leader in opposing tyranny.	☐	☐	☐	☐
d. Support anti-Communist governments, regardless of their political systems, because that is the best way to counter Soviet expansionist aims.	☐	☐	☐	☐

Your zip code ____ ____ ____ *(continued on reverse side)*
(first 3 digits only)

Opinion Ballot

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d. Support anti-Communist governments, regardless of their political systems, because that is the best way to counter Soviet expansionist aims.	☐	☐	☐	☐

Your zip code ____ ____ ____ (continued on reverse side)
(first 3 digits only)

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Issue B. How would you rate the following policies in terms of their effectiveness in furthering a settlement in Afghanistan?

	1 Very Effective	2 Somewhat Effective	3 Not Very Effective
a. The U.S. should increase arms aid to the mujahideen.	☐	☐	☐
b. The U.S. should recognize an Afghan government in exile.	☐	☐	☐
c. The U.S. should seek to have the mujahideen included in the UN-sponsored peace negotiations.	☐	☐	☐
d. The U.S. should acquiesce in Soviet control if the Soviets make significant concessions to the U.S. in another region.	☐	☐	☐
e. The U.S. should make significant concessions in another region if the Soviets pull out of Afghanistan.	☐	☐	☐

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See Instructions on page 4

★ ★ ★

Comment .....
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b. The U.S. should recognize an Afghan government in exile.	☐	☐	☐
c. The U.S. should seek to have the mujahideen included in the UN-sponsored peace negotiations.	☐	☐	☐
d. The U.S. should acquiesce in Soviet control if the Soviets make significant concessions to the U.S. in another region.	☐	☐	☐
e. The U.S. should make significant concessions in another region if the Soviets pull out of Afghanistan.	☐	☐	☐

MAIL YOUR BALLOT
MAKE YOUR OPINION COUNT!
See Instructions on page 4

★ ★ ★

Comment .....
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MAIL YOUR BALLOT
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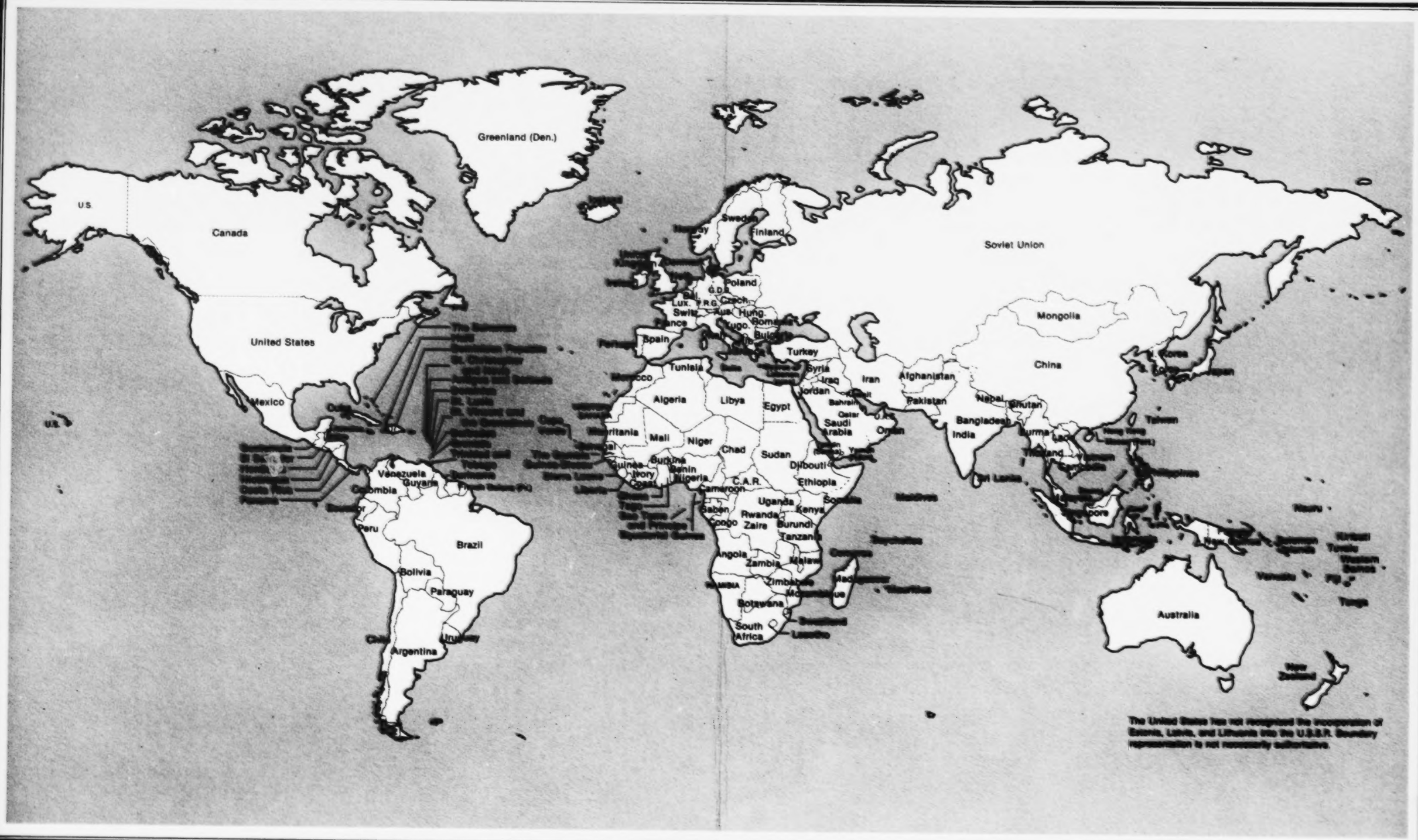

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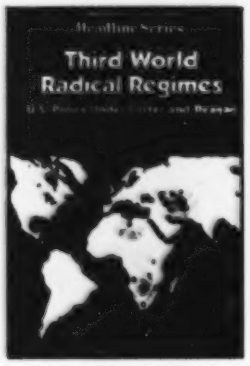

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